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Technical Alerts

TA 01/2016 - Reporting on the regulatory returns of Insurers - Extract from Practice Note 20(I) 'The audit of insurers in Ireland'

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Background

Practice Note 20(I) "The audit of insurers in the Republic of Ireland" (PN 20(I)) was issued by the Auditing Practices Board (APB) in July 2002. PN 20(I) has been withdrawn by the Financial Reporting Council (FRC), the successor body to the APB, in January 2016 as the document has fallen out of date and refers to auditing standards no longer in issue.

Guidance for Auditors

While PN 20(I) was out of date at the time of withdrawal with regards to the audit of the financial statements of insurers, the substance of its guidance in relation to the auditors' reports on the regulatory returns of insurers remains relevant for regulatory returns for periods ending on, or before, 31 December 2015. Auditors in Ireland can therefore continue to refer to that guidance with respect to reporting on those regulatory returns.

Chartered Accountants Ireland has prepared this Technical Alert to provide an easy reference for auditors reporting on the regulatory returns of insurers in Ireland for periods ending on, or before, 31 December 2015 in the absence of the Practice Note itself. **The extract from PN 20(I) attached is re-produced without amendment since 2002.** Auditors therefore use the re-produced guidance with the appropriate caution. Auditors using the principles in the guidance below should be alert to changes in the reporting environment which would affect some of the references in the guidance. For example auditors note that references to Statements of Auditing Standards (SASs) are out of date and would in a more current version of the guidance refer to International Standards on Auditing (ISAs) (UK and Ireland); where reference is made to

Companies Acts 1963 to 2001 auditors consider the appropriate equivalent references in the Companies Act 2014. Auditors take care to ensure that they are using an appropriate current version of wording for the auditors' opinion and refer to current Central Bank Guidance for wording of the Directors' Compliance Certificate.

In addition, the commentary in PN 20(I) on circumstances giving rise to a statutory duty to report to the Central Bank under section 35(1) of the Insurance Act, 1989 also continues to be relevant. Auditors may therefore take into account the guidance in [Appendix 1](#) of PN 20(I) (included in the attached extract) in respect of the conduct of their work in relation to insurers' financial statements and regulatory returns. With regard to reporting to the Central Bank auditors also refer to guidance in Miscellaneous Technical Statement 46 – *“Reporting to the Financial Regulator under The Central Bank and Financial Services Authority of Ireland Act 2004”*. Auditors have regard to the Auditor Protocol published by the Central Bank which sets out a framework for communication between auditors of regulated financial service providers and the Central Bank.

Extract from Practice Note 20(I) “The audit of insurers in the Republic of Ireland” – July 2002

The text below is extracted without amendment from FRC's Practice Note 20(I).

“Reporting on Regulatory Returns

1. Auditors of authorised insurers are required to report on specified matters in relation to returns required from the insurer by the regulator. This section sets out guidance for auditors reporting on regulatory returns of authorised insurers.
2. Auditors reporting on an insurer's regulatory returns normally also carry out an audit of its financial statements in accordance with Auditing Standards. Accordingly, the work that auditors perform on regulatory returns does not represent a second audit carried out in accordance with Auditing Standards, but represents a set of additional procedures which, in conjunction with the evidence drawn from the audit work carried out in relation to the financial statements, will enable them to report as required. When undertaking such additional procedures, auditors have regard to the general principles set out below.
3. Auditors of authorised insurers have a duty to report direct to the regulator if they become aware, in the course of their work relating either to their report on an insurer's financial statements or to their report on its regulatory returns, of matters that they conclude are or may be of material significance to the regulator. Auditors fulfil this duty in accordance with the requirements of SAS 620 'The auditors' right and duty to report to regulators'.

General Principles

4. The general principles applicable to reporting on regulatory returns are as follows:
 - Auditors plan the work to be undertaken in relation to the regulatory returns so as to perform that work in an effective manner, taking into account their other reporting responsibilities.
 - Auditors familiarise themselves with the regulations governing the preparation of the regulatory returns.
 - Auditors comply with ethical guidance issued by their relevant professional bodies.
 - Auditors agree the terms of the engagement with the insurer and record them in writing.
 - Auditors consider materiality and its relationship with the risk of material misstatement in the regulatory returns in planning their work and in determining the effect of their findings on their report.
 - Auditors undertake their work with an attitude of professional scepticism and carry out procedures designed to obtain sufficient appropriate evidence on which to base their opinion on the regulatory returns. In particular they:
 - (a) perform procedures designed to obtain sufficient appropriate evidence that all material subsequent events up to the date of their report on the regulatory returns which require adjustment of, or disclosure in, the returns have been identified and properly reflected therein;
 - (b) apply analytical procedures in forming an overall conclusion as to whether the parts of the regulatory returns on

- which they report are consistent with their knowledge of the insurer's business; and
 - (c) obtain written confirmation of appropriate representations from management before their report is issued.
- Auditors record in their working papers
 - (a) details of the engagement planning;
 - (b) the nature, timing and extent of the procedures performed in relation to their report on the regulatory returns, and the conclusions drawn; and.
 - (c) their reasoning and conclusions on all significant matters which require the exercise of judgment.
- Auditors issue a report containing a clear expression of their opinion on the regulatory returns.
- Auditors consider the matters which have come to their attention while performing the procedures on the returns and whether they should be included in a report to directors or management.
- If the auditors become aware of matters of material significance to the regulator which they have a duty to report under section 35 of the Insurance Act, 1989, they make a report direct to the regulator. In addition, when issuing such a report on the regulatory returns, auditors:
 - (a) consider whether there are consequential reporting issues affecting their opinion which arise from any report previously made direct to the regulator in the course of their appointment; and
 - (b) assess whether any matters encountered in the course of their work indicate a need for a further direct report.
- Auditors take steps to ensure that any delegated work is directed, supervised and reviewed in a manner which provides reasonable assurance that such work is performed competently.
- Auditors reporting on regulatory returns which include financial information on which other auditors have reported obtain sufficient appropriate evidence that the work of those other auditors is adequate for their purposes.

Authorised insurers

5. An insurer authorised to carry on business in Ireland is required, in the case of a life insurer, under Regulation 13(1) of the European Communities (Life Assurance) Framework Regulations 1994; and in the case of a non-life insurer, under Regulation 3 of the European Communities (Non-life Insurance Accounts) Regulations 1995, to submit a return (the regulatory return) to the regulator, within six months of the end of each financial year. The format of this return is prescribed by the 1995 Non-life Insurance Accounts Regulations (Non-life Regulations) and the 1994 Life Assurance Regulations (Life Regulations)⁴. Insurers are required to complete different forms, depending on whether their head office is in Ireland, in another EEA country, outside the EEA, or in Switzerland. Pure reinsurers are not required to make a return, and the returns of those branches whose head offices are in the EEA are not subject to audit.

The form and content

6. Section 11 of the Insurance Act, 1989 states that the Minister may require "any return or document submitted to him to be attested by a person of professional standing specified by the Minister"; the 1994/95 Regulations define the forms subject to audit and set out the contents of the auditors' report. The requirements of the Life and Non-life Regulations are different, and different reports are required in each case. The Non-life Regulations do not specify a form of report, whilst the Life Regulations do. Certain of the forms in the returns are available to the public through the Companies Office. Certain other forms are summarised in the annual report issued by the regulator.

7. The regulatory return comprises the following central elements:

- (a) Profit and loss account and balance sheet of the insurer;
- (b) Detailed analyses of the business of the insurer;
- (c) Detailed analyses of the funds of life insurers;
- (d) Solvency calculations and restatements of the assets of the insurer for the purposes of solvency calculations;
- (e) Actuarial reports;
- (f) Certificates by the directors and Appointed Actuary; and

(g) Report by the auditors.

A list of the contents of the regulatory returns for both life and non-life insurers is set out in [Appendix 2](#).

8. The requirement to prepare regulatory returns is quite separate from the requirement for an Irish insurer to prepare financial statements under the Companies Acts, 1963 to 2001 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996; furthermore, it is common for the regulatory returns to be prepared some time after the financial statements have been approved. There is, however, a close correlation between the overall figures included in the two documents.

9. The principal differences between the regulatory returns and financial statements, copies of which are also provided to the regulator, are as follows:

(a) the regulatory returns are primarily intended to demonstrate the solvency of an insurer.

(b) the assets and liabilities used in the solvency calculations in the regulatory return may be stated at different values from those shown in the financial statements, arising from the application of prescribed rules in respect of:

- the basic valuation principles to be applied to assets;
- restrictions on the value of assets where the value arrived at by applying the basic valuation principles exceeds the permitted asset limits,
- the determination of liabilities;
- the treatment of certain types of hybrid capital; and
- a provision for adverse changes where certain commitments are not strictly matched.

(c) the income statement, particularly for non-life business, provides a large volume of detailed segmental information including a breakdown into specified accounting classes;

(d) additional information is provided on a variety of topics including:

- the abstract of the Appointed Actuary's valuation report for life insurers;
- the annual actuarial opinion required in respect of certain non-life insurers;
- reinsurance arrangements;
- major non-life business reinsurers; and
- the use of derivatives.

(e) the regulatory returns are accompanied by a certificate signed by prescribed officers of the insurer ('the directors' certificate') which contains a number of statements. Specimen directors' certificates are set out in [Appendix 4](#).

Auditors' responsibilities

10. The regulatory returns for life and non-life insurers are governed by different regulations, and the requirements of each is significantly different. Part 1 of Schedule 3 to the 1994 Life Regulations sets out the main elements of the report required of auditors on the life assurance regulatory returns. The 1995 Non Life Regulations do not specify any particular format, but only state that "A statement attesting the correctness of the information appearing on the Balance Sheet, Profit and Loss Account, Asset Analysis, Assets/Liabilities Summary (as appropriate) should be signed by the insurers' auditors". The detailed reporting requirements of life and non-life returns are set out in the life and non-life sections below.

Standards to be applied by auditors

11. In the case of an authorised insurer, an audit of the financial statements will be conducted in accordance with Auditing Standards to enable the report required by section 193 of the Companies Act, 1990 to be given. Key areas in which auditors need to undertake procedures additional to those undertaken to report on the financial statements are:

- (a) the application of the prescribed valuation and admissibility rules to assets and liabilities for which existence, title, etc. has already been considered as a part of the audit of the insurer's financial statements;
- (b) presentation of the information in the prescribed forms; and

(c) the specific additional disclosures that fall within the scope of the auditors' report.

12. If an audit of financial statements in accordance with Auditing Standards has not been undertaken (as may be the case in relation to the Irish branch of an insurance company, incorporated outside Ireland) the principal components of the regulatory returns will need to have been subjected to an audit in accordance with those standards in order to achieve an equivalent standard of evidence.

13. Work specific to the auditors' report on an authorised insurers regulatory returns may be undertaken concurrently with procedures designed to provide evidence for their report on its financial statements or at a later date. In either case, the auditors consider both aspects of their engagement when planning the audit of the financial statements.

14. The 1994/1995 Regulations draw a clear distinction between those parts of the regulatory returns which are required to be referred to in the auditors' report and those which are not.

15. In the case of life insurers there is no requirement for the auditors to report on the Appointed Actuary's report; the fact that the auditors' responsibilities do not extend to this part of the regulatory return is reinforced by Part 1 of Schedule 3 to the 1994 Life Assurance Regulations which enables the auditors in their report to express reliance on the actuary's certificate for the mathematical reserves and required minimum solvency margin figures. Where auditors avail themselves of the entitlement, they are required to state in their report on the regulatory return the extent to which they have relied on the certificate given by the Appointed Actuary. In such circumstances it is not necessary for the auditors to read the parts of the return falling outside their reports, and their reports on the regulatory return do not provide assurance on the Appointed Actuary's assessment of the mathematical reserves in the regulatory return.

16. The Non-life Regulations require auditors to report only on the "Balance Sheet, Profit and Loss account, Asset Analysis, Assets/Liabilities Summary" and not the directors' certificate or other forms. The guidelines issued by the regulator in July 2001 in regard to actuaries' opinions on non-life provisions do not require the auditor to report on actuarial opinions. The auditors' responsibilities do not extend to the forms which fall outside the scope of their reports. However they read these forms with a view to considering the implications for their report if they become aware of any apparent misstatement or material inconsistencies with the forms on which they do report or if there is any indication of a situation which may give rise to a requirement to report under Section 35 of the Insurance Act, 1989.

17. The 1995 Non-life Regulations state that "A statement attesting the correctness of the information appearing on the Balance Sheet, Profit and Loss Account, Asset Analysis, Assets/Liabilities Summary (as appropriate) should be signed by the insurers' auditors". Auditors' examinations of regulatory returns are of a similar qualitative standard to the requirement of company law that financial statements give a true and fair view of a company's state of affairs and profit and loss, hence equivalent considerations of materiality apply. In evaluating whether the requirements of the 1994/1995 Regulations have been met, auditors therefore apply materiality in relation to the business as a whole, rather than in relation to the particular accounting class, business category or risk group within which a particular item is reported, except when considering figures which are required by the 1994/1995 Regulations to be derived from a prescribed source elsewhere in the return, or to be calculated on a specified basis, when (other than rounding differences) no concept of materiality applies. Following this approach, reliance on analytical review techniques is normally appropriate in relation to the segmental information provided within the regulatory returns.

Reporting

18. Auditors' reports on regulatory returns normally include the following matters:

- (a) a title identifying the persons to whom the report is addressed (which will normally be the Minister);
- (b) an introductory paragraph identifying the documents within the regulatory return which are covered by the report;
- (c) separate sections, appropriately headed, dealing with:
 - respective responsibilities of the company and the auditors, and
 - the bases of the auditors' opinions;
 - the auditors' opinions on the matters required by statute;

- the signature of the auditors; and
- the date of the auditors' report.

19. [Appendix 3](#) sets out illustrative examples of reports on regulatory returns for life and non-life insurers. These example wordings need to be tailored to reflect particular circumstances.

Subsequent events

20. There may be a substantial period between the date on which an insurer's statutory financial statements are approved and the date on which its regulatory returns are signed. Auditors do not sign their report on regulatory returns before they have signed their audit report on the financial statements. Statement of Standard Accounting Practice 17 'Accounting for post-balance sheet events' requires that material events arising after the balance sheet date should be adjusted for where they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included in the financial statements. The issue is not dealt with specifically in the 1994/1995 Regulations, however the requirement is not that the regulatory returns agree with the financial statements but that they fairly state the assets and liabilities. In practice, regulatory returns are more likely to require a post-balance sheet adjustment in respect of a material change in the determination of liabilities (where more information has become available) than in the case of the valuation of assets. Auditors undertake a review of post-balance sheet events up to the date of their report on the regulatory returns before signing that report.

Qualifications or references to fundamental uncertainties

21. When reporting on an insurer's regulatory returns, auditors include references to fundamental uncertainties or qualify their opinions as appropriate, following the principles in SAS 600 'Auditors' reports on financial statements'. It is possible for the auditors' opinion in their report on an insurer's financial statements to be qualified whilst that in their report on an insurer's regulatory returns is unqualified, and vice versa. This may occur where the grounds for qualification relate to the treatment of a particular item (for example, if an asset is included in the regulatory returns at a value which does not take account of the specific requirements of Annex III of the 1994 Non-life Regulations and Annex V of the 1994 Life Regulations). Any qualification or fundamental uncertainty paragraph in respect of technical provisions would (in the absence of exceptional circumstances such as a Court judgement clarifying liability after the signing of the financial statements) be expected to be reflected in both reports.

Resubmitted returns

22. If an insurer intends to resubmit the regulatory returns, or part thereof, where the original regulatory returns are considered to be inaccurate or incomplete, the auditors may be required to express an opinion on the amended or additional material. This can be done by either:

- (a) withdrawing the original report and issuing a completely new report;
- or
- (b) issuing a supplementary report on the amended material only, but including a reference to the original report.

The first option is preferable where the nature and volume of changes required gives rise to a resubmission of the complete return. The second option is preferable where the amendments are considered to be relatively minor or are few in number and only the amended forms, supplementary notes and/or statements are resubmitted.

Life insurance Returns

23. The main elements required in the auditor's report on life assurance regulatory returns are;

- (a) an opinion on whether the parts of the returns which are required to be audited (Forms 1 to 21) have been properly prepared in accordance with the provisions of the 1994 Life Regulations;
- (b) an opinion on whether the directors' certificate has been properly prepared in accordance with the regulations and whether it was reasonable for the directors to make the statements contained within it; and
- (c) reference to the reliance which the auditors have placed, in giving their opinion, on the Appointed Actuary's certificate with respect to the

mathematical reserves and required minimum solvency margin, and on the identity and value of implicit items included in the return.

The directors' compliance certificates

24. The directors' certificates are required to include a series of statements confirming compliance with requirements of statute and regulations where such statements can truthfully be made. Some of the statements in the certificate relate to documents and other information on which auditors do not report. Auditors of life insurers are required to state in their report whether, in their opinion and according to the information and explanations that they have received:

(a) the certificate has been properly prepared in accordance with the 1994 Life Regulations; and

(b) it was or was not reasonable for the persons giving the certificate to have made the statements therein.

25. The directors' certificate for a life insurer is only required to include positive statements concerning those requirements with which the insurer complies. Where the directors cannot confirm a particular matter, they omit it and add a footnote stating that fact. However, they are not required to comment further on the factors giving rise to non-compliance. The auditors' responsibilities are to consider the reasonableness of the statements made and they have no obligation to report on omissions. However, the factors giving rise to the omission of a particular statement in the directors' certificate may give rise to a statutory duty to report direct to the regulator under section 35 of the Insurance Act, 1989.

26. Each paragraph of the directors' compliance certificate needs to be considered separately to determine whether the 'reasonable' opinion can be given, and the rationale for the conclusions reached are recorded in the working papers.

27. Appropriate audit procedures may include:

- inspecting correspondence with the regulator and minutes of management meetings in relation to regulatory matters;
- considering the quality of the evidence available to the directors responsible for making such statements of compliance;
- enquiring of the directors as to whether they are aware of any instances of non-compliance; and
- assessing whether the directors' statements of compliance are consistent with the knowledge gained from the audit work on the rest of the regulatory returns and, where applicable, on the financial statements.

28. Some of the statements call for little or no audit work in addition to that necessary to determine whether the forms and notes subject to audit have been properly prepared.

29. Other aspects, such as compliance with the matching and localisation rules, are not directly documented on the forms specified for audit, and the auditors need to obtain evidence of the currency position and its monitoring throughout the year if the statement of compliance is to be regarded as reasonable.

30. The directors' certificate contains a general statement that, in relation to the audited documents within the return, an appropriate system of control has been established and maintained by the company over its transactions and records. Whilst the audit of the insurer's financial statements does not necessarily include tests of internal controls, the understanding of the accounting and internal control systems required by SAS 300 'Accounting and internal control systems and audit risk assessments,' for the purpose of developing an effective approach to the audit of the insurance company's financial statements may provide an adequate basis for the auditors' consideration of this statement. However, auditors will need to consider whether additional work needs to be carried out. Where work in relation to the operation of internal controls has been undertaken as part of the audit of the financial statements, auditors also take into account evidence from that work. Auditors will have already established, for the purposes of the audit of the financial statements, whether proper books and records have been kept.

31. [Paragraph 5](#) of the directors' compliance certificate requires the directors to confirm that the company's life assurance business has been carried out in compliance with applicable legislation and with the written guidelines issued by the regulator². This is a new and potentially onerous requirement both for directors in making the statement and for auditors in considering its reasonableness. Auditors already plan and perform their audit procedures and evaluate and report on the results thereof in the context of the requirements of SAS 120 'Consideration of law and regulations'. However it is unlikely that their consideration of:

- laws relating directly to the preparation of the financial statements; and
- laws which are central to the insurer's conduct of its business

within the framework provided by SAS 120 will be sufficient to enable them to report on the directors' statement at [paragraph 5](#) of the compliance certificate.

The directors will need to establish procedures which will enable them to provide the confirmation as required by [paragraph 5](#) of the directors' compliance statement. Auditors review the directors' procedures and may decide to undertake tests to establish that those procedures have been properly applied. The auditor will need to consider the implications for the auditors' opinion on the life assurance return if:

- there are no established procedures,
- in the opinion of the auditor the procedures are inadequate, or
- the company has not complied with the procedures.

Non-life Insurance Returns

32.The Non-life Regulations do not specify by number which forms in the non-life return are to be audited. Instead they state that the "Balance Sheet, Profit and Loss account, Asset Analysis, Assets/Liabilities Summary (as appropriate)" should be the subject of the auditor's report which are forms 6, 10, 11 and 12.

33.The guidance issued by the regulator in July 2001 requiring non-life insurers to obtain actuaries' opinions in regard to the adequacy of their technical reserves makes no reference to a report upon them by auditors. Similarly there is no requirement for an auditor to make reference to the extent of their reliance on such opinions. Accordingly, audit reports make no reference to the actuaries' opinions.

The directors' compliance certificate

34.Auditors of non-life insurers are not required to report on the directors' certificate, and so this certificate is not dealt with in this guidance but an example is included in [Appendix 4](#) for information.

Appendix 1 - Matters of Material Significance: Insurance Companies

1.Matters likely to be of material significance to the regulator, and hence give rise to a duty to report in accordance with section 35(1) of the Insurance Act, 1989, fall under the following categories:

- (c)matters indicating the insurer's inability to meet its material policyholder obligations and/or financial requirements under the Insurance Acts, 1909 to 2000 ([paragraphs 2](#) to [23](#) below);
- (d)material defects in the financial systems and controls or accounting records of the insurer ([paragraphs 24](#) to [30](#) below);
- (e)matters leading to the auditors' decision to issue a qualified opinion on the insurer's financial statements or annual return to the regulator ([paragraphs 31](#) to [33](#) below); and
- (f)matters leading to the auditors' decision to resign or not seek re-election ([paragraphs 34](#) and [35](#) below).

Inability to meet material policyholder obligations and/or financial requirements

2.A properly run authorised insurer should comply with all the provisions of insurance legislation at all times. Nevertheless, certain breaches are seen by the regulator as being of particular importance, and hence likely to be of material significance in the context of the duty to report under section 35(1) of the Insurance Act, 1989.

Matters of this nature include:

- (g)breaches of solvency margin requirements;
- (h)submission of misleading or inaccurate information;
- (i)inadequate reinsurance;
- (j)the existence of matters that may lead to withdrawal of authorisation;
- (k)substantial departure from a proposal or forecast in an authorisation application;
- (l)adequacy of premiums for new life assurance business;
- (m)matters specific to linked contracts; and
- (n)other matters specifically dealing with policyholder protection. Each of these items is dealt with in more detail below.

3.In addition, the following may be of material significance in particular circumstances:

- (a)restriction of business to insurance;
- (b)restriction of business to classes for which the insurer is authorised;

- (c) adherence to admissibility, localisation and currency matching rules;
- (d) separation of assets and liabilities attributable to life assurance business;
- (e) application of assets of an insurer transacting life assurance business;
- (f) allocation to policyholders in life insurers and rules on transfers from and to the life fund;
- (g) legal restrictions on transactions with connected persons; and
- (h) compliance with guidelines issued by the regulator.

4. In considering all such matters, auditors are not required to change the scope of their work, nor the frequency and timing of their audit visits and do not have an obligation to seek out matters of material significance that may give rise to a duty to report to the regulator.

Solvency margin breach

5. A deterioration in the solvency position of an insurer may constitute a matter of material significance and so trigger a duty to report. Identification of this need not be dependent on the formal calculation of the required minimum solvency margin, as the regulator may consider it appropriate to intervene before the margin has been breached – in some cases well before the breach has occurred. The breach or potential breach may be evidenced by:

- (o) a significant decrease in the value of net assets (as determined in accordance with the provisions of the European Communities (Non-life Insurance) Framework Regulations, 1994 and the European Communities (Life Assurance) Framework Regulations, 1994);
- (p) a significant deterioration in claims experience; or
- (q) a significant increase in premium volumes.

However, there will normally have been some event which has given rise to this deterioration.

6. The degree to which any deterioration in the solvency position should trigger the duty to report will depend on various factors, which will need to be given appropriate weight in each particular situation. The most relevant factors are likely to be the magnitude of the deterioration in absolute terms, the speed with which the deterioration has occurred, the underlying trend of the change, the degree to which the change was unexpected and unique to a particular insurer, the degree of uncertainty surrounding the insurer's estimates of its liabilities or the values placed on its assets, and the closeness of the insurer to the required minimum margin of solvency. The relative importance of these factors is a matter for the professional judgement of the auditors.

7. Auditors may become aware that an insurer is committed to using an accounting treatment or policy which has the effect of obscuring a deterioration in the underlying solvency of the company. This may be of material significance to the regulator and, if so, gives rise to a duty to report. However, the duty to report does not necessarily arise where a company seeks advice as to whether a particular accounting treatment is an appropriate one. The duty only arises where an insurer has committed itself to a treatment which may be misleading.

Misleading or inaccurate information

8. Information is primarily submitted to the regulator annually in the regulatory return. The regulator has power to require the submission of returns on a more frequent basis or to require specific items of information. The primary responsibility for accuracy of regulatory returns rests with the directors of the insurer. The auditors' involvement arises only in connection with the expression of their opinion on that part of the annual regulatory returns which is required to be audited.

9. Auditors are less likely to examine either that part of the annual regulatory return which is not required to be audited, or any other information requested by the regulator (e.g. quarterly returns required to be produced by newly authorised insurers). However, auditors may come across such information in the course of an audit in reviewing correspondence between the insurer and the regulator. They should be aware of the potential duty to report to the regulator if they become aware that any such information submitted appears to be inaccurate or misleading.

10. In considering whether there is a duty to report on the submission of inaccurate information, auditors will need to consider whether the inaccuracy, if known, might be of material significance to the regulator. In addition, new information may become available which indicates that information previously submitted to the regulator was

inaccurate, or a fundamental error in reported information may be detected. Auditors need to exercise their judgement as to whether any such inaccuracy or error may be of material significance and hence whether a duty to report arises.

Inadequate reinsurance

11. The underwriting of insurance involves the identification and evaluation of risk and, in particular, the extent to which such risks should be retained by the insurer. The assessment of the degree to which the risks assumed by an insurer should be reinsured with other insurance companies is primarily one of underwriting judgement. This will depend on such factors as the underwriter's assessment of the likelihood of an insured event occurring, its magnitude, the possible extent of loss and the availability of reinsurance.

12. The function of financial statements is to report on directors' stewardship in a particular period – not to comment on management's judgements or, generally, to look forward to subsequent periods. Accordingly, the scope of an audit does not include an assessment of the appropriateness of reinsurance arrangements from an underwriting perspective. However, in carrying out their audit, auditors need to review the overall structure of the reinsurance programme to understand its operation and the interaction between the various arrangements.

13. Auditors do not generally consider the appropriateness of the nature or extent of reinsurance arrangements except insofar as they need to do so to assess the insurer's solvency position and the appropriateness of the going concern assumption. If there is material doubt as to the going concern assumption (for example in the case of a treaty where the timing of recovery was not matched to the timing of expected claims payments), then the directors will need to reflect this in the financial statements and it may need to be referred to in the auditors' report. In these circumstances, a statutory duty to report may arise before the formal approval of the financial statements.

Matters that may lead to withdrawal of authorisation

14. Under the provisions of the Insurance Act, 1989, the European Communities (Non-life Insurance) Framework Regulations, 1994 and the European Communities (Life Assurance) Framework Regulations, 1994, the regulator has the power to withdraw an insurer's authorisation to write new business in the following circumstances:

(r) where the insurer fails to comply with an order issued by the regulator as a result of doubtful solvency or non-compliance with other significant provisions of the Insurance Acts, 1909 to 2000 (section 18 of the Insurance Act, 1989);

(s) where the regulator is satisfied that no business has been carried on under the authorisation for the last two consecutive years, or if the insurer has reduced the scale of its business in a class or part of a class of business so as to amount in effect to a cessation of the carrying on of business in that class or part of a class (section 21 of the Insurance Act, 1989);

(t) where a non-life insurer is convicted of an offence in relation to commission payments under section 37 or 38 of the Insurance Act, 1989 or section 39 of the Insurance Act, 1989; and

(u) where an insurer has not used the authorisation for the last twelve months, has expressly renounced the authorisation, has ceased to carry on business covered by the authorisation for more than six months, no longer fulfils the conditions required by the Insurance Acts, 1909 to 2000 for the granting of an authorisation or fails seriously in its obligations under the Insurance Acts, 1909 to 2000 Regulation 17 of the European Communities (Non-life Insurance) Framework Regulations, 1994 and Regulation 37 of the European Communities (Life Assurance) Framework Regulations, 1994.

15. The regulator also has powers to revoke an insurer's authorisation under Regulation 23 of the European Communities (Non-life Insurance) Regulations, 1976 and Regulation 25 of the European Communities (Life Assurance) Regulations, 1984. The circumstances set out in these regulations are similar to those outlined above.

16. The existence of any of the circumstances set out above is likely to be of material significance to the regulator and therefore gives rise to a duty to report.

17. In addition, if after authorisation to accept new business was withdrawn, the auditors became aware that an insurer had continued to accept new business, the duty to report would be triggered on the grounds of a contravention of the insurance legislation likely to be of material significance.

Substantial departure from a proposal/forecast in an authorisation application

18. Auditors would not generally expect to report to the regulator in the case of a departure from a proposal or forecast in an authorisation application, unless misleading or inaccurate information had been submitted in the initial proposal or a substantial departure became apparent subsequently, such that the regulator would need to consider taking action before receiving the annual or quarterly regulatory return in the normal course of events. A new insurer is usually required to submit returns on a quarterly basis for its first number of years in operation.

Premiums for new life assurance business

19. An Irish insurer writing life assurance business is required by Regulation 4 of Annex IV to the European Communities (Life Assurance) Framework Regulations, 1994 to ensure that premiums for new life business are sufficient, on the basis of reasonable actuarial assumptions, to enable the insurer to meet all its commitments. In doing so, account may be taken of all aspects of the insurer's financial situation, but only if this can be done without jeopardising the company's solvency position in the long-term. Whilst auditors' routine reporting responsibilities under the provisions of the European Communities (Life Assurance) Framework Regulations, 1994 do not include expression of an opinion on compliance with this requirement, circumstances which come to their attention indicating an actual or possible breach will normally be of material significance to the regulator.

Linked contracts

20. A life insurer entering into linked contracts must ensure that detailed requirements relating to provisions, set out in Regulation 2 of Annex V to the European Communities (Life Assurance) Framework Regulations, 1994 are followed. These require benefits provided by such contracts to be linked directly to assets and, where applicable, that the assets must be of appropriate security and marketability. A failure to follow these principles is likely to give rise to a duty to report.

Protection of policyholders

21. In addition to the matters discussed and referred to above, the Insurance Act, 1989, the European Communities (Non-life Insurance) Framework Regulations, 1994 and the European Communities (Life Assurance) Framework Regulations, 1994 lay down various other requirements with which an insurer must comply in carrying on its business in the interests of protecting its policyholders. Examples include ensuring conformity with the general good in accordance with the laws of the European Union and policyholder disclosure rules and cancellation rights and the special requirements relating to third party motor liabilities.

22. Material breaches of these policyholder protection regulations are likely to be of interest to the regulator, and therefore be likely to give rise to a duty to report if auditors become aware of them during the normal course of their work.

23. In addition to the specific provisions of the Insurance Acts, 1909 to 2000, there may be particular circumstances where an insurer complies with specific requirements, but where it may be appropriate for certain issues to be reported to the regulator on the grounds that they may affect the insurer's ability to meet its material policyholder obligations. Examples of such circumstances include:

(a) the solvency margin is achieved with assets that, although complying with admissibility rules, are not adequately matched with liabilities, thereby affecting the potential liquidity of the insurer;

(b) there is a marked shift in investment strategy, particularly if there is a large concentration into a particular category of asset where the concentration may be such as to constitute an undue risk to policyholders; and

(c) there are transactions before the year-end which are reversed early in the next period (as described in Statement of Standard Accounting Practice No. 17, "Accounting for post balance sheet events") or there are other transactions with related parties for which there is no apparent commercial benefit to the insurer.

Material defects in the financial systems and controls

24. In accordance with Regulation 10 of the European Communities (Non-life Insurance) Framework Regulations, 1994 and Regulation 10 of the European Communities (Life Assurance) Framework Regulations, 1994, insurers are required to maintain administrative and accounting procedures and internal control mechanisms which are sound and adequate. In addition, the directors of both non-life

and life insurers are required to certify that an appropriate system of control has been established and maintained by the insurer over its transactions and records as part of its annual regulatory returns.

25. Responsibility for ensuring that appropriate financial systems and controls are put in place and that proper accounting records are maintained therefore rests with the directors and management of the insurer.

26. Weaknesses in systems, controls and accounting records may be identified by management themselves, internal audit or auditors during the course of their work. Auditors are not required to change the scope of their work, nor the frequency and timing of their audit visits and do not have an obligation to seek out systems, controls and accounting weaknesses that may give rise to a duty to report to the regulator.

27. Where auditors identify such weaknesses, they consider:

(a) whether there has been a failure in the insurer's procedures for ensuring the effective operation of the systems and controls – this of itself may trigger a duty to report to the regulator; and

(b) whether the weakness is likely to affect the insurer's ability to meet its material policyholder obligations and/or financial requirements under the Insurance Acts, 1909 to 2000 – and hence give rise to a duty to report.

28. The determination of those weaknesses in systems, controls and/or accounting records which may give rise to a duty to report to the regulator is a matter of judgement for the auditors of each insurer. There may be some weaknesses which are reportable in the context of one insurer but not for others. The decision to report a matter may take into account, for example:

(a) the effect on the insurer's ability to meet its material policyholder obligations and/or financial requirements under the Insurance Acts, 1909 to 2000;

(b) the nature and volume of transactions occurring in the area where the weakness has arisen;

(c) the seriousness of the risks to which the insurer is exposed as a result of the weakness identified;

(d) whether there are compensating systems and controls;

(e) whether the weakness occurred for only a short period of time and has been rectified (although rectification does not of itself mean that the matter should not be reported); and

(f) whether a weakness which has been identified, though not significant in itself, becomes so when considered in conjunction with other weaknesses.

29. If corrective action cannot be taken promptly, the weakness is more likely to be reportable because of its continuing nature. If the resulting exposure cannot be quantified and controlled in a relatively short time frame, the risk to the insurer is increased.

30. If the insurer has taken steps to rectify the situation in a relatively short time frame and the auditors determine that on those grounds that a report is not required at that time, they monitor the situation and confirm with the insurer that appropriate action has been taken. If this proves not to be the case, then they may need to re-consider the decision not to report.

Decision to issue a qualified audit opinion

Financial statements or regulatory returns not properly prepared

31. If the auditors are proposing to qualify either the financial statements prepared in accordance with the Companies Acts, 1963 to 2001 and the European Communities (Insurance Companies: Accounts) Regulations, 1996 or the annual regulatory return prepared in accordance with the European Communities (Non-life Insurance Accounts) Regulations, 1995 or the European Communities (Life Assurance) Framework Regulations, 1994, on the grounds that either of these documents have not been properly prepared, the regulator should be advised immediately, and therefore not come to learn about the qualification only when the document in question is submitted.

Doubts regarding going concern

32. The continued functioning of an insurance company may be jeopardised by, amongst other things:

(a) breaches of its statutory obligations, leading to withdrawal of its authorisation;

(b) failure to maintain appropriate solvency margins; or

(c)reinsurance arrangements that prove inadequate in the light of its claims experience.

33.Each of these factors has been considered in preceding paragraphs. Other factors giving rise to doubts as to an insurer's status as a going concern may come to the auditors' attention in the course of their work, in particular when carrying out procedures to meet the requirements of SAS 130, "The going concern basis in financial statements". Where the auditors conclude that a reference to uncertainties as to whether the company is a going concern is necessary in their report on the company's financial statements, a duty to report to the regulator also arises.

Auditors' decision to resign or not seek re-election

34.Where the auditors of an insurer resign, or seek not to be re-elected, in accordance with section 185(1) of the Companies Act, 1990, they are required to serve notice in writing of their intention to do so to both the company and the Registrar of Companies. Such notice must contain either:

(a)a statement to the effect that there are no circumstances connected with the resignation that the auditors consider should be brought to the notice of the members or creditors of the company; or

(b)a statement of any such circumstances that may exist.

35.The resigning auditors should also notify the regulator of their intention to resign and, in the event of any statement as set out in (b) above being included in the notice under section 185(1) of the Companies Act, 1990, need to consider whether or not these circumstances give rise to a duty to report to the regulator. Given that such circumstances are required to be notified to the members and creditors, they may be of material interest to the regulator and hence to give rise to a duty to report.

Appendix 2 - Contents of Regulatory Returns

Non-life Insurance Business – Summary of Returns to be completed annually.

The contents of the regulatory returns of non-life insurance companies are specified by the European Communities (Non-life Insurance Accounts) Regulations, 1995.

		Returns required in respect of undertakings with their Head Office in Ireland	Returns required in respect of undertakings with their Head Office in either 1 or 2	
			1 Outside the EU	2 Switzerland
Form 1	Underwriting Account - One year business Gross and Net Figures	*	*	*
Form 2	Underwriting Account - One year business Net Figures	*	*	*
Form 3	Underwriting Account - Three year business Gross and Net Figures	*	*	*
Form 4	Underwriting Account - Three year business Net Figures	*	*	*
Form 5	Summary details of EU business	*		

Form 6	Asset analysis	*	*	*
Form 7	Currency Matching Analysis Net Figures	*	*	*
Form 8	Claims Settlement Analysis	*	*	*
Form 9	Statement of Method used to calculate UPR	*	*	*
Form 10	Balance Sheet	*	*	
Form 11	Profit and Loss Account	*	*	
Form 12	Asset/Liabilities Summary			*
Form 13	Employment Statistics	*	*	*
Form 14	Calculation of Solvency Margin	*	*	
Form 15	Details of Reinsurance Treaties	*	*	*
Form 16	Details of Facultative Reinsurance	*	*	*
Form 17	Certificate of Directors	*	*	*
*return specifically required.				

Note: Forms highlighted in bold type are reported upon by auditors.

Life Assurance Business - Summary of Returns to be completed annually

The contents of the regulatory returns of life assurance companies are specified by the European Communities (Life Assurance) Framework Regulations, 1994. Schedule 1 to the Regulations provides a summary of accounts (forms 1 to 24) to be completed annually, which are listed below. The Regulations require such of the forms 1 to 20 as are appropriate and form 23 to be audited by a duly qualified auditor who shall make a report in form 22 in accordance with the requirements of the Regulations.

Schedules 4 and 5 to the Regulations provide a summary of forms 25 to 44 which are completed by the Appointed Actuary, and which are not subject to audit.

Form No.

1	Revenue account
2	Analysis of premiums and expenses

2A	Analysis of premiums (by class of business)
3	Analysis of claims
4	Summary of changes in business – O.B.
5	Summary of changes in business – I.B.
6	Analysis of new business – O.B.
7	Analysis of new business – I.B.
8	Expected income from designated non-linked assets
9	Analysis of designated non-linked fixed-interest securities
10	Analysis of holdings in UCITS and in recognised unit trusts directly matching liabilities in respect of property linked benefits
11	Analysis of assets which are matching liabilities in respect of property linked benefits other than holdings in UCITS and in recognised unit trusts or internal linked funds
12	Balance sheet for internal linked funds
12A	Analysis of derivative instruments used in internal linked funds
13	Analysis of units in internal linked funds
14	Revenue account for internal linked funds
15	Asset analysis
15A	Analysis of derivative instruments
16	Life assurance business liabilities and margins
17	Liabilities which are not life assurance business liabilities
18	Statement of other income and expenditure
19	Statement of net assets
20	Statement of solvency
21	Employment statistics
22	Auditors' certificate
23	Directors' report ³
24	Appointed actuary's certificate

Schedule 1 to the 1994 Regulations prescribes the requirements for returns to be made by the different categories of life assurance undertakings as follows:

- 1.Irish head office (1 to 24)
- 2.External branch undertaking Irish and global business (1 to 24)
- 3.Irish deposit undertaking Irish, Global and EC business (1 to 24, Form 20 on a Global and Community basis)
- 4.EC deposit undertaking Irish business (1 to 24)

Appendix 3 - Illustrative Examples of Auditors' Reports on Regulatory Returns

When reporting on an insurer's regulatory return, the example reports set out in this Appendix need to be adapted to meet the circumstances of that individual company.

Example 1 – Non-life Insurer

Auditors Report to the Minister for Enterprise Trade and Employment pursuant to the European Communities (Non-life Insurance Accounts) Regulations 1995

We have audited the information contained on Form 6 and the financial statements of [] for the period ended XXXXX, set out on Forms 10 and 11⁴ which have been prepared pursuant to the European Communities (Non-life Insurance Accounts) Regulations, 1995.

Respective responsibilities of the directors and the auditors

The directors are responsible for the preparation of returns under the provisions of the European Communities (Non-life Insurance Accounts) Regulations, 1995. It is our responsibility to form an independent opinion, based on our audit, on Forms 6, 10 and 11 and to report our opinion to you.

Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in Forms 6, 10 and 11. It also includes an assessment of the significant estimates and judgements made by the directors in Forms 6, 10 and 11.

We planned and performed our audit so as to obtain the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Forms 6, 10 and 11 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated whether the Forms 6, 10 and 11 have been prepared in the manner specified by the regulations and fairly state the information provided on the basis required.

Opinion

In our opinion (i) the information set out in Forms 6, 10 and 11 complies with the European Communities (Non-life Insurance Accounts) Regulations 1995, (ii) proper books of account have been kept by the company and (iii) the financial information set out on Forms 10 and 11, are in agreement with the books of account. We have obtained all the information and explanations we consider necessary for the purposes of our audit.

Chartered Accountants and Registered Auditors Date

Example 2 – Life Assurance Company

Auditors Report to the Minister for Enterprise, Trade and Employment pursuant to Article 31 of the European Communities (Life Assurance) Framework Regulations, 1994

We have audited the annual returns prepared pursuant to the European Communities (Life Assurance) Framework Regulations 1994, which are required to be audited by Article 31 of those Regulations. These comprise Forms 1 to 20² together with related notes in respect of the year ended []

Respective responsibilities of the directors' and the auditors

The directors are responsible for the preparation of annual returns under the provisions of the European Communities (Life Assurance) Framework Regulations, 1994 as modified by the Ministerial direction issued pursuant to Article 3 of those regulations. It is our responsibility to form an independent opinion based on our audit, on the part of the returns which is subject to audit by reason of Article 31 of the 1994 Regulations, and to report our opinion to you.

Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the documents specified by Article 31. It also includes an assessment of the significant estimates and judgements made by the company in the preparation of these documents.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the documents specified by Article 31 are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated whether

the documents have been prepared in the manner specified by the European Communities (Life Assurance) Framework Regulations, 1994.

We read the information contained in the Directors' Certificate in Form 23 which is the responsibility of the directors. We review the procedures undertaken by the directors to enable them to certify Form 23 and undertake such tests as we consider appropriate to establish that these procedures have been properly applied. We consider the implications for our report on the regulatory returns if we become aware of any apparent misstatement or material inconsistencies within the directors certificate with the financial statements or forms 1 to 20 of the Regulatory Return.

In giving our opinion, we have relied on:

- (i)The certificate of the actuary on Form 24 with respect to the mathematical reserves and required minimum solvency margin of the undertaking; and
- (ii)The identity and value of any implicit items as they have been admitted in accordance with the 1994 Regulations.**

Opinion

In our opinion, Forms 1 to 20 together with related notes, have been properly prepared in accordance with the provisions of the European Communities (Life Assurance) Framework Regulations, 1994 *as modified by the Ministerial direction issued pursuant to Article 3 of those regulations***. We have obtained all the information and explanations we consider necessary for the purpose of our audit.

In our opinion and according to the information and explanations we have received:

- (i)The directors' certificate on Form 23 annexed in accordance with Article 32(a) of the European Communities (Life Assurance) Framework Regulations, 1994 has been properly prepared in accordance with those regulations; and
- (ii)It was reasonable for the persons giving the certificate to have made those statements required by Part 2 of the Schedule 3 to the European Communities (Life Assurance) Framework Regulations, 1994 therein.

Chartered Accountants and Registered Auditors.

Date

Appendix 4 - Contents of Certificates Required from Directors

The form and content of the Directors Compliance Certificates set out in this Appendix accord with that prescribed in the Guidelines on Directors Compliance certificates issued by the regulator in July 2001.

Directors Compliance Certificate: Life (Head Office in Republic of Ireland)

Name of Company:

Global Business

Financial Year Ended:

We the Directors of ("The Company") certify:

- 1.1That for the purposes of preparing this return
 - (i)proper accounts and records have been maintained and adequate information has been obtained by the company; and
 - (ii)an appropriate system of control has been established and maintained by the company over its transactions and records.
- 1.2That the value shown for each category of asset has been determined in conformity with Article 16 of the European Communities (Life Assurance) Framework Regulations, 1994 (the "1994 Regulations") and includes the value of only such assets or such parts thereof as are permitted to be taken into account.
- 1.3That the amount shown for each category of liability (including contingent and prospective liabilities) has been determined in conformity with Article 16 of the 1994 Regulations.
- 1.4That the assets held throughout the financial year enabled the company to comply with Annex VII of the 1994 Regulations.
- 2.1Immediately following the end of the financial year the amount of the company's required minimum solvency margin was as shown in Form 20.
- 2.2At the end of the financial year, the amount of the company's available assets and quantifiable contingent liabilities (other than those included in Forms 16 or 17) in

accordance with paragraph 5 (1) of Schedule 2 and the identity and value of items admitted as implicit items in accordance with paragraph 2 (g) of Part A of Annex II to the 1994 Regulations, were as shown in Form 20.

3.1 That assets attributable to life assurance business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the life assurance business fund or funds have not been applied otherwise than for the purpose of the life assurance business.

3.2 That the register required by Article 12 (6) of the 1994 Regulations has been maintained throughout the year and, in respect of the assets listed in the register, the value of those assets on the closing date for which the accounts and balance sheets of the head office of the company are furnished to the competent supervisory authority, such values being those in such accounts and balance sheets.

3.3 That any amount payable from or receivable by the life assurance business fund or funds in respect of services rendered by or to any other business carried on by the company or by or to a connected company has been determined and, where appropriate, apportioned on terms which are believed to be no less than fair to that fund or those funds, and any exchange of assets representing such funds for other assets of the Company has been made at fair market value.

3.4 That all guarantees given by the company of the performance by a related company of a contract binding on the related company which would fall to be met by any life assurance business fund have been disclosed in the return, and that the fund or funds on which each such guarantee would fall have been identified therein.

3.5(i) The provisions of Article 6 (5) of the 1994 Regulations have been complied with; and

(ii) The returns in respect of life assurance business are not distorted by agreements between the companies concerned or by any arrangements which could affect the apportionment of expenses and income.

3.6 Proper accounts and records have been maintained in the State in respect of business supervised in the State.

4. In relation to the company's reinsurance arrangements:

(i) adequate information has been obtained as to the financial standing of each reinsurer concerned;

(ii) adequate provision has been made where necessary (and detailed in the Annual Return) in respect of any doubtful recoveries and / or bad debts from the reinsurers concerned.

5. The company's life assurance business has been carried out in compliance with applicable legislation and with the written guidelines issued by the insurance supervisory authority.

[alternative form of paragraph. 5 **for financial year 2001 only:**

5. The company's life assurance business has been carried out in compliance with applicable legislation and with the written guidelines issued by the insurance supervisory authority to the end of the year 2000. In relation to the written guidelines issued in July 2001, the company is taking steps to comply with the relevant guidelines.]

NOTE: Where, in the opinion of those signing the certificate, the circumstances are such that any of the above statements cannot truthfully be made, the relevant statements should be omitted, with an explanatory note as to why they have been omitted.

Directors Compliance Certificate: Non-life

Name of Company:

Global Business

Financial Year Ended:

We the Directors of ("the Company") certify:

1.1 That for the purposes of preparing this Return

(i) proper accounts and records have been maintained and adequate information has been obtained by the company; and

(ii) an appropriate system of control has been established and maintained by the company over its transactions and records

1.2 That the value shown for each category of asset has been determined in conformity with Article 13 and Annex III of the European Communities (Non-life Insurance)

Framework Regulations, 1994 (the 1994 Regulations) and includes the value of only such assets or such parts thereof as are permitted to be taken into account.

1.3 That the amount shown for each category of liability has been determined in conformity with the European Communities (Insurance Undertakings: Accounts) Regulations, 1996

1.4 That the assets held throughout the financial year enabled the company to comply with Annex IV of the Regulations.

2. Immediately following the end of the financial year the amount of the company's required minimum solvency margin was as shown in Form 14 of the European Communities (Non-life Insurance Accounts) Regulations, 1995.

3.1 That the register required by Article 13(13) of the 1994 Regulations has been maintained throughout the year and, in respect of the assets listed in the register, the value of those assets on the closing date for which the accounts and balance sheets of the head office of the company are furnished to the competent supervisory authority, such values being those in such accounts and balance sheets.

3.2 That any amount payable from or receivable by the non-life insurance reserves in respect of services rendered by or to any other business carried on by the company or by or to a connected company has been determined and, where appropriate, apportioned on items which are believed to be no less than fair to that reserve or reserves, and any exchange of assets representing such reserves for other assets of the company has been made at fair market value.

3.3 That all guarantees given by the company of the performance by a related company of a contract binding on the related company which would fall to be met by any non-life insurance reserve have been disclosed in the return, and that the reserves on which each such guarantee would fall have been identified therein.

3.4 The returns in respect of non-life insurance business are not distorted by agreements between the companies concerned or by any arrangements which could affect the apportionment of expenses and income.

3.5 Proper accounts and records have been maintained in the State in respect of business supervised in the State.

4. In relation to the company's reinsurance arrangements:

(i) Adequate information has been obtained as to the financial standing of each reinsurer concerned;

(ii) Adequate provision has been made where necessary (and detailed in the Annual Returns) in respect of any doubtful recoveries and / or bad debts from the reinsurers concerned

5. In relation to the preparation of the actuarial opinion on the technical reserves⁵:

(i) No relevant information that would materially affect the company's reserves has been knowingly withheld from the certifying actuary;

(ii) The data provided to the certifying actuary and underlying the reserves are accurate and complete and have been reconciled to the data used in preparing the statutory financial statements and supervisory returns for the period;

(iii) The certifying actuary has been advised of all known changes in internal methods or procedures which would materially affect the determination of reserves; and

(iv) Claims development data provided to the certifying actuary has been reconciled to the accounting information underlying the statutory financial statements.

6. The company's non-life assurance business has been carried out in compliance with applicable legislation and with the written guidelines issued by the insurance supervisory authority.

[alternative form of Par. 6 **for financial year 2001 only**:

6. The company's non-life assurance business has been carried out in compliance with applicable legislation and with the written guidelines issued by the insurance supervisory authority to the end of the year 2000. In relation to the written guidelines issued in July 2001, the company is taking steps to comply with the relevant guidelines.]

NOTE: Where, in the opinion of those signing the certificate, the circumstances are such that any of the above statements cannot truthfully be made, the relevant statements should be omitted, with an explanatory note as to why they have been omitted."

¹ These are referred to as the 1994/95 Regulations

2 The written guidelines were issued by the regulator in July 2001.

3 Directors Compliance Certificate. See [Appendix 4](#).

4 Form 12. Assets/Liabilities Summary, which is required of insurance undertakings with their head office in Switzerland, is also subject to audit.

* The forms being reported on should be specifically referred to by number.

** This sentence is included only where the requirements apply.

5 This paragraph should be omitted where a company has been granted an exemption from the actuarial certification requirement