

3 July 2015

Via e-mail

Ref: 15/23

Professor Arnold Schilder
Chairman
International Auditing and Assurance Standards Board (IAASB)
529 Fifth Avenue, 6th Floor
New York, New York 10017
United States of America

Dear Professor Schilder,

Re: IAIS interests in IAASB materials applicable to insurer audits

The International Association of Insurance Supervisors (IAIS) is very supportive of the IAASB's current initiatives and work programme on matters affecting the audit of insurers, and in particular, the IAASB's recent establishment of a Financial Institutions Working Group. The IAIS stands ready to support the IAASB's FIWG to prioritise issues and develop solutions that will increase the quality of insurer audits.

In this regard, the IAIS has recently developed a listing of priority interests for consideration by the FIWG in the development of its future work programme. Note that most, if not all, of these insurer audit matters of priority interest to the IAIS have been previously communicated to the IAASB through letters in response to IAASB initiatives or in formal dialogue. They are as follows:

- *ISA 540: Auditing Accounting Estimates* – the additional complexities with the audit of insurance contracts need to be better addressed, such as the development of estimates of insurance contract liabilities developed by technical experts employed by the insurer being audited;
- *ISA 620: Using the Work of an Auditor's Expert* – there are particular considerations with regard to understanding the work of an actuary that could be better addressed;
- Addressing the financial institution audit quality themes, as consistently reported by the International Forum of Independent Audit Regulators (IFIAR), such as audit issues with respect internal controls testing and asset valuations;
- The emerging need for more specific guidance for the audit of insurance contracts, given the expected 2016 IASB issuance of a complex insurance contracts accounting standard and the high external auditor reliance on the judgement of experts;
- Auditor reporting standards – the IAIS continues to believe that the communication of key audit matters should be required for all insurance entities whether listed or not;
- *ISA 570: Going Concern* - as insurance capital calculations become more complex and make more use of internal models and stress testing, the IAIS believes that additional work needs to be carried out by the external auditor.

Note also that, as part of its ongoing efforts to help improve the quality of insurer audits, the IAIS has drafted, and will soon issue for public consultation, revisions to its Insurance Core Principles on Corporate Governance (*ICP 7: Corporate Governance*). Specifically, the supervisory expectations of insurer Boards with respect to understanding and ultimately overseeing the work of external auditors is being substantially enhanced. In addition, the IAIS is further exploring the need to enhance its expectations with respect to the relationship between supervisors and external auditors, as well as the need for further supervisory measures to address continuing insurer audit quality concerns.

The IAIS looks forward to working with the IAASB, and with the FIWG in particular, to discuss relevant insurer audit issues and to develop appropriate solutions that will advance our mutual interests in enhancing the quality of insurer audits.

If you have further questions regarding this letter, please contact Mark Causevic at the IAIS Secretariat (telephone: +41 61 280 8323; email: mark.causevic@bis.org) or Markus Grund, Chair of the IAIS Accounting and Auditing Working Group (telephone: +49 228 4108 3671; email: markus.grund@bafin.de).

Yours sincerely,



Felix Hufeld
Chair, Executive Committee



Michael McRaith
Chair, Technical Committee