



Guidance for external auditors reporting to the Isle of Man Financial Services Authority under the requirements of the Insurance Regulations 2018 - Long-term business only

1. Introduction

This guidance is issued by the Isle of Man Financial Services Authority (“the Authority”) under section 34 of the Insurance Act 2008 and is relevant to insurers authorised to carry on long term business, as defined under Regulation 4 of the Insurance Regulations 2018 (“the Regulations”), and auditors of those insurers. This guidance sets out the level of independent assurance expected by the Authority with respect to those elements of reporting to the Authority required under Schedule 5 Part III (“the Auditor’s Report”) to the Regulations.

The Authority issues guidance for various purposes, including to illustrate best practice, to assist regulated entities to comply with legislation and to provide examples or illustrations. This guidance is, by its nature, not law, however it is persuasive. Where a person follows guidance this would tend to indicate compliance with the legislative provisions, and vice versa.

2. Scope of Reporting

Paragraph 1 of the Auditor’s Report requires assurance from the auditor that the following information submitted by insurers, as prescribed in regulation 14(1)(a) and 14(1)(b)(ii) and (iii) of the Regulations, has been “properly prepared”:

- regulatory balance sheet (including analysis by lines of business);
- solvency capital requirement;
- long-term business revenue account (including ring fenced cash flows); and
- investment analysis.

Paragraph 2 of the Auditor’s Report requires assurance from the auditor that nothing has come to [its] attention to indicate it was not reasonable for the directors to provide the certification required under paragraphs 2 and 4 of Schedule 5 Part II to the Regulations (“the Directors’ Certificate”), in respect of:

- other information in electronic returns submitted under 14(1) of the Regulations; and
- no charge having been made on the assets of the insurer at or since the accounting period end date.



3. Framework and level of assurance to be applied

In pursuing its regulatory objectives the Authority considers it important to provide guidance to auditors on the level of assurance engagement risk it considers acceptable, in order to reduce the risk of material misstatement of information reported to the Authority to a level that is appropriate.

International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000”)¹, provides a recognised framework that the Authority considers appropriate to be used for reporting under the Auditor’s certificate. ISAE 3000 provides for both “reasonable assurance” and “limited assurance” reporting.

In accordance with the framework set out under ISAE 3000, the Authority expects the assurance provided under Paragraph 1 of the Auditor’s Certificate to be at the level of a “reasonable assurance”, with the certification required under this paragraph conveyed in the positive form consistent with the ISAE 3000 framework.

For Paragraph 2 of the Auditor’s Certificate the Authority considers “limited assurance” to be appropriate and similarly the certification wording is drafted in the negative form consistent with ISAE 3000.

Consistent with ISAE 3000, the exact nature, timing and extent of evidence gathering will vary between engagements. Auditors should obtain sufficient evidence appropriate to the level of assurance engagement to form a view whether the subject matter information is free of material misstatement. The auditor should consider materiality, assurance engagement risk, and the quantity and quality of available evidence when planning and performing the engagement, in particular when determining the nature, timing and extent of evidence-gathering procedures.

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¹ <https://www.ifac.org/system/files/publications/files/ISAE%203000%20Revised%20-%20for%20IAASB.pdf>