



ICAEW ILLUSTRATIVE STEP 2 REPORT

[Name of insurer] - Financial position as at 31 December 2014

Independent auditor's report to the directors of [Name of Insurer] ("the insurer")

In accordance with our terms of engagement dated [], we have audited the following extracts from the preparatory phase Solvency II Quantitative Reporting Templates ("QRT")ⁱⁱⁱ issued by the European Insurance and Occupational Pensions Authority ("EIOPA") on 18 August 2014 ("the Forms") prepared as at 31 December 2014 on pages [x to x]:

- BS-S.02.01.b - Balance sheet
- [BS-S.02.01.g - Balance sheet]ⁱ
- TP-F1-S.12.01.b – Life and Health SLT Technical Provisions
- TP-E1-S.17.01.b – Non-life technical provisions – Best Estimate by country
- OF-B1A-S.23.01.b – Own funds
- [OF-B1A-S.23.01.g – Own funds]ⁱ
- [columns A1, C1, D1, S1 and U1 of G03-S.32.01.g - Undertakings in the scope of the group]ⁱ

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on [the columns of G03-S.32.01.g - Undertakings in the scope of the group not specified above or]ⁱ the amounts disclosed in the Forms as listed in the appendix to this opinion in respect of:

- the Solvency Capital Requirement, Minimum Capital Requirement, [Consolidated Group Solvency Capital Requirement and Minimum Consolidated group Solvency Capital Requirement]ⁱ; and
- the risk margin.

[In performing our audit we have relied without verification on the directors' determination of actual and notional Solvency Capital Requirements to the extent relevant for the determination of:

- the adjustment for restricted own funds items in respect of matching adjustment portfolios and ring-fenced fundsⁱⁱ; and
- the deductions from group own funds in respect of non-available own funds items.ⁱ

[We have also relied without verification on the directors' determination of the starting position used within the transitional measure on technical provisions.]^v

Responsibilities of the directors

The directors are responsible for preparing the Forms in accordance with the insurer's basis of preparation as set out on pages [x] to [y] ("the Basis of Preparation") and the draft QRT LOG files issued by EIOPA applicable to the extracts numbered above (collectively "the Framework") and for the information contained therein, and for such internal control as the directors determine is necessary to enable the preparation of the Forms that are free from material misstatement, whether due to fraud or error.

In respect of the statutory accounts values reported in the final column of BS-S.02.01.b [and BS-S.02.01.g]ⁱ (“the Statutory Accounts Values”), the directors are responsible for ensuring that these amounts have been accurately extracted from the insurer’s statutory financial statements [or those of [name of the group parent] in respect of the Form BS-S.02.01g]ⁱ for the year ended 31 December 2014 ([collectively] “the Financial Statements”).

Auditor’s responsibility

Our responsibility is to express an opinion on the Forms based on our audit. We conducted our work in accordance with International Standards on Auditing, except as stated below in respect of evaluating the overall adequacy of presentation, and having regard to the relevant sections of Practice Note 20 ‘The audit of insurers in the United Kingdom’ (Revised), issued by the Auditing Practices Board for use in the United Kingdom. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Forms are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Forms. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Forms, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the Forms in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors. As the nature, form and content of the Forms are determined by EIOPA, we did not evaluate the overall adequacy of the presentation of the information in the Forms, which would have been required if we were to express an audit opinion under International Standards on Auditing.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

- the Forms as at 31 December 2014 have been properly prepared, in all material respects, in accordance with the Framework; and
- the Statutory Accounts Values on BS-S.02.01.b [and BS-S.02.01.g]ⁱ have been accurately extracted from amounts in the Financial Statements for the year ended 31 December 2014.

Emphasis of matter – basis of preparation

Without modifying our opinion, we draw attention to the following matter:

- As set out in the Basis of Preparation, the Forms have been prepared as if supervisory approvals had been granted, or supervisory determinations made, in specified areas. We have therefore performed our audit as if these supervisory approvals had been granted and these supervisory determinations made. We offer no views as to the likelihood of such supervisory approvals being granted, or such supervisory determinations being made.^{iv}

Restriction on distribution and use

[Insert audit firm specific wording regarding restriction on use and recognition of PRA use]

Other matter

[Insert audit firm specific wording regarding the fact that this engagement is separate from the audits of the main financial statements]

[Name of firm]

[Designation of firm]

Date

i Include for PRA supervised groups within the PRA request letter.

ii Include where the undertaking has ring fenced funds or has assumed that approval for the use of the matching adjustment will be granted.

iii See Quantitative Reporting Templates at

[https://eiopa.europa.eu/Publications/Reports/PrepPhase_AppendixI_Errata_QA_FINAL.xlsx?Web=](https://eiopa.europa.eu/Publications/Reports/PrepPhase_AppendixI_Errata_QA_FINAL.xlsx?Web=1)

[1](https://eiopa.europa.eu/Publications/Reports/PrepPhase_AppendixI_Errata_QA_FINAL.xlsx?Web=1)

iv Include if applicable

v Include where a firm is relying on transitional provisions under Article 308d to determine its technical provisions, since the starting point may be current Pillar 2 technical provisions which will not have been subject to prior audit.

Appendix: Areas within the Forms not subject to audit

BS-S.02.01.b/g - Balance sheet

Technical provisions - non-life (excluding health) - risk margin
Technical provisions - health (similar to non-life) - risk margin
Technical provisions - health (similar to life) - risk margin
Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
Technical provisions - Index-linked and unit-linked - risk margin

TP-F1-S.12.01.b - Life and Health SLT Technical Provisions

Technical provisions calculated as a sum of BE and RM (Non-Replicable portfolio) - Risk margin

TP-E1-S.17.01.b - Non-life Technical Provisions

Technical provisions calculated as a sum of BE and RM (Non-Repl) - Risk margin

OF-B1A-S.23.01.b - Own funds

SCR
MCR
Ratio of Eligible own funds to SCR
Ratio of Eligible own funds to MCR

OF-B1A-S.23.01.g - Own funds

Consolidated Group SCR
Minimum consolidated group SCR (Article 230)
Ratio of Eligible own funds to SCR (excluding other financial sectors)
Ratio of Eligible own funds to Minimum Group SCR
SCR for entities included with D&A method
Ratio of Eligible own funds to SCR including other financial sectors' own funds and capital requirements