



13 September 2010

Ref: 10/142

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Mr David Damant  
Chairman  
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Dear Prof Schilder and Mr Damant

**IAIS comments on Draft Consultation Paper –IAASB Strategy and Work Program for 2012-2014**

The IAIS has significant interest in the future work of the International Auditing and Assurance Standards Board (IAASB). We strongly support the IAASB's efforts to develop high-quality standards, in the public interest, dealing with auditing, review, other assurance, quality control and related services. As such, we have paid close attention to the IAASB's Draft Consultation Paper - Proposed Strategy and Work Program for 2012-2014.

The audit of insurance companies is a specialist area of auditing that is yet to be addressed in IAASB pronouncements. We note that there are already two IAPS in relation to the banking sector: IAPS 1004 The Relationship between Banking Supervisors and Bank's External Auditors and IAPS 1006 Audits of Financial Statements of Banks. The overview of possible actions to implement the proposed strategy includes, at item A1.4, incorporating IAPS 1004 and IAPS 1006 in a new guidance document for the audit of banks. We fully support that further work on the audit of banks.

From a public interest perspective, we believe there is an equal emerging need for the development of guidance for the audit of insurers. The time is now right to consider this development as it will be particularly pertinent in the period from 2012 to 2014. The IASB issued its *Exposure Draft ED 2010/8 Insurance Contracts* on 30 July. We understand the intention of the IASB is to finalise the resultant standard by June 2011 for implementation in 2013. This development will lead to the convergence of accounting for insurance contracts around the globe away from the current multiple approaches under national generally accepted accounting principles (GAAPs). It will also lead to changes in many jurisdictions regarding how insurance companies account for insurance contracts, including the use of significant judgement in developing accounting estimates. In many cases, those accounting estimates will be developed with the assistance of actuaries. A key issue will be the relationship between auditors and actuaries in the preparation of financial statements and when there is a need for the auditor to have an actuary as part of the audit team.

There are a number of ways in which the development of guidance for the audit of insurers could be achieved:

- Development of IAPS along the lines of IAPS 1006 and/or IAPS 1004
- Development of IAPS on special considerations in auditing insurance contracts (similar to the IAPS being developed in relation to complex financial instruments)
- Development of a comprehensive guide to the audit of insurers.

We understand resources are scarce and work must be prioritised within the IAASB. We believe that the choice of projects carried out by the IAASB should be risk-based – that is, where further pronouncements are most needed. Hence, we believe that, while a comprehensive guide to the audit of insurers is an appropriate goal to have in mind, the most immediate need is guidance with regard to auditing insurance contracts. The existing work on auditing complex financial instruments will address many issues with auditing the asset side of an insurer's balance sheet. However, the work on auditing insurance contracts should recognise the inherent relationship between the assets of an insurer and its insurance liabilities in that premiums are invested in assets to support future claims payments.

If the IAASB undertakes this work, it would not be starting from a blank page. Some national auditing standard setters have already issued pronouncements on auditing insurance companies generally and actuarial liabilities specifically. In addition, in 2009 the IAIS published its *Issues Paper on the Roles of and Relationship Between the Actuary and the External Auditor in the Preparation and Audit of Financial Reports*.

The IAIS is very supportive of the IAASB's proposed Strategy and Work Program for 2012-2014 but would particularly urge the IAASB to consider this one addition.

If you have further questions regarding this letter, please contact Peter Windsor at the IAIS Secretariat (tel: +41 61 280 9196; email: [peter.windsor@bis.org](mailto:peter.windsor@bis.org)) who will be attending the IAASB CAG meeting on 14 - 15 September or Michel Colinet, Acting Chair of the IAIS Accounting Subcommittee (tel: +32 22205247; email: [michel.colinet@cbfa.be](mailto:michel.colinet@cbfa.be)).

Yours faithfully



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