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**Circular letter 19/3 amending the amended
Circular letter 09/1 of the Commissariat aux
Assurances relating to the separate report to
be provided by the approved auditor of direct
insurance undertakings**

Following the legislative and regulatory changes relating to the fight against money laundering and terrorist financing, it seemed appropriate to supplement point 17 of the separate report dealing with the compliance of insurance undertakings in this matter.

Point 17 of the separate report was introduced starting from the reporting related to the financial year 2010 without this change having been reflected in the annex to Circular letter 09/1.

In addition to the proposed amendments to paragraph 1, the present Circular letter is intended to rectify this oversight.

Finally, the legal basis of the Circular letter has been updated and new modalities for transmitting the reporting files have been considered.

Consequently, Circular letter 09/1 of the Commissariat aux Assurances relating to the separate report to be provided by the approved auditor of direct insurance undertakings is amended as follows:

1. The first two paragraphs are amended as follows:

«In accordance with Article 94 of the law of 7 December 2015, as amended, on the insurance sector, every Luxembourg insurance undertaking is required to submit itself to an external accounting audit, to be performed on an annual basis, at the undertaking's expense, by an approved auditor of companies ("Réviseur d'entreprise agréé").

Article 95 of the same law involves the approved auditor in the prudential control to be carried out by the Commissariat aux Assurances».

2. In the first indent of paragraph 5, the last sentence is deleted.

3. The following paragraph is inserted after paragraph 5:

«The modalities for transmitting the two sections are communicated on an annual basis to the insurance undertakings at the time when the annual reporting files are transmitted. »

4. The following point 17 is inserted after point 16:

« 17. Obligations relating to the fight against money laundering and terrorist financing

The answers to the questions under point 17 are not intended to replace the activities to be carried out by the approved auditor pursuant to CAA Regulation n° 13/01 of 23 December 2013 on the fight against money laundering and terrorist financing.

For non-life insurance undertakings not authorized for “credit” or “suretyship” classes only an answer to question 17.7 needs to be given.

Reference should be made:

- with regard to questions from 17.1 to 17.6, to the law of 12 November 2004, as amended, on the fight against money laundering and terrorist financing;

and

- with regard to question 17.7, to the law of 27 October 2010 on the implementation of United Nations Security Council resolutions and acts adopted by the European Union containing prohibitions and restrictive measures in financial matters against certain persons, entities and groups within the framework of the combat against terrorism. »

5. The questionnaire annexed to the Circular letter is replaced by the questionnaire annexed hereto. The provisions of this Circular letter are applicable for the first time to the separate report relating to the financial year 2018.

For the Directorate

Claude WIRION
Director

Separate Report - Section I
relating to the undertaking's 2018 financial year

INSURANCE ABCDE

- 0.1 Approved auditor's name:**
0.2 Personal professional email address of the approved auditor:

1. Assignment of the approved auditor

- 1.1 Number of hours worked for the statutory audit of the annual accounts as defined in the IRE's opinion of February 15, 2007
- by approved auditors
- by other professionals
- 1.2 Does the above-mentioned legal assignment include
- Intra-year revisions
- the audit of the consolidation package
- other activities within the framework of group consolidation instructions
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2. Audit report

- 2.1 Has the audit report been completed and signed at the date of completion of the separate report?
- 2.2 If yes, does the audit report contain any reservation (qualifications or matters of emphasis)?
- 2.3 If not, does the approved auditor intend to express any reservation (qualifications or matters of emphasis)?
- 2.4 Does the management report include all the information referred to in Article 85 of the law of 8 December 1994, as amended, on the annual and consolidated accounts of insurance undertakings?
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3. Publication of the accounts related to the previous financial year

- 3.1 At the date of signature of this separate report, has the undertaking fulfilled all its obligations to publish its accounts related to the previous financial year?
- 3.2 Have the legal deadlines been met?
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4. Compliance with the Commissariat aux Assurances instructions given during the previous year's reporting period

Item 4 in section II of the separate report does not include any question in section I.

5. Valuation of the assets of items C II, III and IV

- 5.1 Are there depreciations on assets other than fixed-income securities that are not recognized given that said depreciations are not considered to be long-lasting?
 - 5.2 If so, what is the total amount of the corresponding unrecognized capital losses?
 - 5.3 Are there depreciations on fixed-income securities that are not recognized given that said depreciations are not considered to be long-lasting for reasons relating to the quality of the issuers?
 - 5.4 If so, what is the total amount of the corresponding unrecognized capital losses?
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6. Register of Representative Assets

- 6.1 Does the insurance undertaking have a register in accordance with Circular letter 08/4 of the Commissariat aux Assurances?
 - 6.2 Are all the assets representing the technical provisions as at 31 December of the financial year entered in this register in the form specified in the aforementioned Circular letter?
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7. Statement of assets representing technical provisions

- 7.1 Has the statement been prepared in accordance with the provisions of Chapter 3 of Circular letter 08/4 of the Commissariat aux assurances, with particular reference to the asset classes?
 - 7.2 Does the statement include all the assets entered in the register, up to the amount of their allocation in the columns of assets allocated to the representation of technical provisions?
 - 7.3 Does the statement include any unrecorded assets other than those entered in the column related to unrestricted assets?
 - 7.4 (question deleted as of the reporting of the 2010 financial year)
 - 7.5 On the basis of an exhaustive check or a survey, are there breaches other than purely passive breaches of the overall or per issuer limits as defined by Circular letter 15/3 of the Commissariat aux Assurances?
 - 7.6 Does the undertaking have written internal procedures in place to ensure compliance with the investment rules in the Circular letters relating to unit-linked contracts?
 - 7.7 If the answer to question 7.6 is yes, are these procedures considered adequate by the approved auditor?
 - 7.8 If the answer to question 7.7 is yes, are these procedures applied in practice?
 - 7.9 For assets deposited with a credit institution in accounts covered by a deposit agreement, is the total value of said assets the same as the value recorded in the statement related to the deposit agreements?
 - 7.10 If not, has the undertaking been able to provide justifications deemed relevant by the approved auditor?
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8. Status of deposit agreements

- 8.1 Are all deposits reported in the annual statement relating to deposit agreements covered by an agreement duly approved by the Commissariat aux Assurances at the end of the financial year?
- 8.2 If not, were the deposits covered by an agreement approved by the Commissariat aux Assurances at the time the separate report was issued?
- 8.3 Is the value of the deposits entered for each credit institution identical to the value entered on the bank statements relating to the accounts covered by the deposit agreement (i.e. without taking into consideration the accounts excluded from the deposit agreement)?
- 8.4 In case of deviations, has the undertaking been able to provide justifications deemed relevant by the approved auditor?
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9. Approval of internal collective funds (life insurance undertakings only)

- 9.1 Does the undertaking include in its products internal collective funds not listed in the financial year information sheet?
- 9.2 If so, has the situation been rectified at the date of issuance of the separate report?
- 9.3 Are internal collective funds listed on the information sheet used under a different name, without an acknowledgement of the change of name by the Commissariat aux Assurances?
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10. Breach of the obligation of confidentiality

- 10.1 Has the approved auditor become aware of any facts or practices that may, in his opinion, constitute a breach of the provisions of Article 300 of the law of 7 December 2015, as amended, relating to insurance secrecy?
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11. Breach of the principle of specialization

- 11.1 Does the insurance undertaking carry on activities which are not directly related to the insurance business itself?
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12. Simplified organization chart of the group to which the undertaking belongs

- 12.1 Does the simplified organization chart attached to the report give details of all the direct and indirect holdings of the insurance undertaking in another undertaking, irrespective of its field of activity, all companies with a direct holding of 10% or more in the insurance undertaking and all direct or indirect parent undertakings of the direct shareholders?
- 12.2 For all participation links in the organization chart, have the correct participation rates been filled in?
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13 Use of derivative instruments

- 13.1 Has a policy on derivative financial instruments been approved by the Board of Directors?
- 13.2 Is a policy on derivative financial instruments documented in a set of written procedures?
- 13.3 If the answer is yes, do the procedures provide for a definition of the derivatives at hand?
- 13.4 Is the compliance with this policy monitored on a regular basis?
- 13.5 Does the undertaking directly hold derivative instruments at the end of the financial year:
- among the assets representing technical provisions other than those of contracts for which the investment risk is borne by the policyholder?
 - among the assets representing the technical provisions of contracts for which investment risks are borne by the policyholder?
 - among the assets that are not representative of technical provisions?
- 13.6 Has the undertaking issued any derivative financial instruments?
- 13.7 If during the financial year derivative instruments are used in respect of assets other than contracts for which the investment risk is borne by the policyholder, how much is:
- the total of purchases in the financial year
 - the total of sales in the financial year
 - the market value of the instruments held at the end of the financial year
 - the market value of the instruments issued at the end of the financial year
 - the notional exposure for the instruments issued at the end of the financial year
 - the maximum notional exposure for the instruments issued during the financial year
- 13.8 Is a potential expense resulting from the issuance of derivative instruments disclosed in the closing balance sheet?
- 13.9 Is a potential expense resulting from the issuance of derivative instruments disclosed in off-balance sheet?
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14. Off-balance sheet commitments

- 14.1 Are there any off-balance sheet commitments stated in the notes to the balance sheet other than those resulting from the rental of real estate, the leasing of equipment and software used for own use, rental guarantees granted to the undertaking's employees and derivative instruments?
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15. Intra-group transactions

- 15.1 Does the undertaking have written internal procedures enabling it to list all the transactions that the undertaking carries out with the undertakings referred to in Article 89 of the Regulation of the Commissariat aux Assurances N° 15/03 of 7 December 2015 relating to insurance and reinsurance undertakings, as amended?
- 15.2 If the answer to question 15.1 is yes, are these procedures considered adequate by the approved auditor?
- 15.3 If the answer to question 15.2 is yes, are these procedures applied in practice?
- 15.4 Are intra-group transactions carried out under normal market conditions?
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16. On-the-spot inspection

No on-the-spot audit report was sent during the 24 months preceding the end of the financial year.

- 16.1 All the recommendations and injunctions of the Commissariat aux Assurances have been followed up in practice?
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17. Obligations relating to the fight against money laundering and terrorist financing

- 17.1 Does the undertaking have written internal procedures in place for
- a) customer due diligence
 - b) cooperation with the authorities, including the Commissariat aux Assurances
 - c) keeping of documents and records
 - d) internal control
 - e) risk assessment and management
 - f) customer acceptance
 - g) staff training and awareness
- 17.2 If the answer to question 17.1 is in whole or in part is in the affirmative, are the existing procedures deemed adequate by the approved auditor in relation to the applicable legal and regulatory provisions?
- 17.3 If the answer to question 17.2 is in the affirmative, are these procedures applied in practice?
- 17.4 If the undertaking is part of a group, are there policies and procedures in place that are coordinated at the group level?
- 17.5 Has the undertaking carried out an assessment regarding money laundering and terrorist financing risks to which said undertaking is exposed to?
- 17.6 If the answer to question 17.5 is in the affirmative, does the approved auditor consider the risk assessment to be adequate with regard to the following risk factors: customers, countries or geographical areas, products, services, transactions and distribution channels (including intermediaries)?
- 17.7 Has the undertaking put in place adequate arrangements to implement United Nations Security Council Resolutions and acts adopted by the European Union containing prohibitions and restrictive measures in financial matters against certain persons, entities or groups in connection with the fight against terrorism?
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