

Circular 2008/31

Insurance group reports

Business report for insurance groups and insurance conglomerates

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 Legal framework: FINMASA art. 7 sect. 1 lett. b, 27 sect. 1
 ISA art. 25 sect. 1, 27 sect. 3, 29 sect. 2, 70, 78

Addressees																					
BA			ISA			SESTA			CISA					AMLA		Other					
Banks	Financial groups and -congl.	Other intermediaries	Insurers	Insurance groups and -congl.	Insurance intermediaries	Stock exch. and participants	Securities dealers	Fund management companies	SICAVs	Limited partnerships for CISs	SICAFs	Custodian banks	Asset managers CISs	Distributors	Representatives of foreign CISs	Other intermediaries	SROs	DSFIs	SRO-supervised institutions	Audit firms	Rating agencies
				X																	

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I. Introductory remarks

This Circular describes the minimum requirements to be satisfied by the business report of insurance groups (groups) and insurance conglomerates (conglomerates) subject to regulatory supervision. 1

According to art. 25 sect. 1 of the Insurance Supervision Act (ISA; SR 961.01), insurance undertakings are to prepare a business report as of 31 December each year. This report must consist of the annual report and the annual financial statements. If the insurance undertaking is part of an insurance group (group) or insurance conglomerate (conglomerate), then a consolidated financial statement must also be submitted for the group/conglomerate. 2

Pursuant to art. 70 and 78 ISA, art. 28 and 29 ISA apply mutatis mutandis to groups and conglomerates. According to art. 27 sect. 1 of the Financial Market Supervision Act (FINMASA; SR 956.1), the audit firm is to prepare a report covering the audits performed by it and submit the report to FINMA. Pursuant to art. 27 sect. 3 ISA, internal audit is to prepare a report on its activities at least once a year and submit this report to the audit firm. Internal audit's activity report constitutes an annex to the audit firm's audit report as provided for in art. 27 sect. 1 FINMASA. 3

II. Purpose

The consolidated financial statements and the resulting business report of the group/conglomerate are intended to represent the financial situation of the group/conglomerate in a transparent manner and to convey as accurate a picture as possible of the business activities in the group/conglomerate. 4

III. Scope of application

This Circular applies to all groups/conglomerates that have been placed under regulatory supervision by means of an order pursuant to the following legal foundations: 5

- insurance groups: pursuant to art. 65 ISA;
- insurance conglomerates: pursuant to art. 73 ISA.

IV. Terminology

A. Group / conglomerate business report

The group/conglomerate business report is to consist of the consolidated financial statements of the group/conglomerate and the detailed audit report of the audit firm. 6

The audit report submitted to FINMA is to be based in principle on the consolidated group/conglomerate financial statements compiled in accordance with an accounting standard approved by FINMA. 7

B. Consolidated financial statements of the group/conglomerate

According to generally accepted commercial principles, the consolidated financial statement is to consist of the annual report and the annual financial statements of the group/conglomerate. 8

The consolidated financial statement consists of the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated equity capital statement, explanations of the accounting method, valuation and consolidation principles applied, and an annex containing additional explanations of significant items in the consolidated balance sheet, consolidated income statement and consolidated equity capital statement. The short-form report (audit certificate) of the audit firm is a component of the consolidated financial statement. 9

An interim business report for the group/conglomerate must be submitted, prepared on the basis of recognised accounting standards. The interim report of the group/conglomerate consists of an interim (half-yearly) consolidated balance sheet, the consolidated income statement for the accounting period just ended and a consolidated equity capital statement. 10

C. Detailed audit report

The detailed audit report prepared by the audit firm must be submitted once a year with the consolidated financial statement. The audit firm's detailed audit report is to consist of a detailed report on the audit findings and the activity report of internal audit. 11

V. Principles — Accounting requirements

The same recognised accounting standards apply to the group/conglomerate consolidated financial statement as to the calculation of Solvency I so that the same basis is applied in all cases. 12

The International Financial Reporting Standards (IFRS) and the United States Generally Accepted Accounting Principles (US GAAP) are considered internationally recognised accounting standards.¹ 13

Swiss GAAP FER (the expert recommendation on accounting), which is also used nationally, may be classified as equivalent to the IFRS by FINMA upon application. Application must be made in writing prior to submitting the report for the first time. 14

Correctness and compliance with the accounting standards applied is to be verified by the audit firm on the basis of company law. 15

The interim business report is to be compiled in accordance with the accounting standards chosen. The interim business report is to apply the same valuation and presentation principles as the consolidated annual financial statement. Reliability, comparability and continuity must be ensured. If accruals and deferrals cannot be determined appropriately for periods of less than one business year, the relevant estimates and projections are required for the interim report to the extent that they are necessary for compliance with the accounting standards applicable to the interim report. 16

¹ For the specification of accounting requirements, please refer to FINMA Circ. 08/30 "Solvability I — Insurance groups".

VI. Minimum requirements to be satisfied by the group / conglomerate business report

A. Content of the group / conglomerate business report

a) Annual consolidated financial statements

The following information must be included in the consolidated financial statements to be submitted annually: 17

1. published annual report of the group/conglomerate
2. audited consolidated financial statements consisting of:
 - a. consolidated balance sheet with a two-year comparison
 - b. consolidated income statement with a two-year comparison
 - c. consolidated cash flow statement
 - d. consolidated equity capital statement, beginning two years before the reporting date
 - e. annex containing explanations, including statements on the accounting method applied and the principles of valuation and consolidation used
 - f. annex containing explanations, including statements on the most significant items of the balance sheet, income statement, equity capital statement and other information to be reported in accordance with the accounting method used
 - g. short-form report (audit certificate) of the auditor of the group/conglomerate.

b) Interim report

FINMA primarily draws on the information and explanations contained in the official published periodic report. 18

The interim report must contain the following components at minimum: 19

- an interim (half-yearly) balance sheet;
- an accrual-based income statement;
- an equity capital statement for the half year.

Notes on individual significant items in the interim report also constitute a component of the report to be submitted, to the extent that they exist. 20

B. Detailed audit report of the audit firm

The minimum requirements to be satisfied by the report prepared by the audit firm consist of a detailed analysis by the audit firm covering the items audited in the consolidated financial statement of the group/conglomerate, including internal audit's activity report. 21

VII. Initial submission and submission deadlines

A. Initial submission

A group/conglomerate is to submit its business report for the first time in accordance with the requirements set out in the order placing the group/conglomerate under regulatory supervision. 22

B. Frequency of group / conglomerate reporting

The consolidated report must be submitted by the group/conglomerate twice each year in writing and electronically: 23

- the business report as of the end of the year
- the interim report as of the middle of the year.

Each report must be submitted within three months of the end-of-year or interim reporting date as applicable. 24