

Directives

of Federal Office of Private Insurance FOPI

31 December 2006

13.5/2006 – on the Business Report for Insurance Groups and Insurance Conglomerates

Legal basis: art. 25 para. 1 ISA
art. 27 ISA
art. 29 para. 2 ISA
art. 70 and 78 ISA

Decision of: 21 November 2006

Entry into force: 31 December 2006



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Swiss Federal Department of Finance FDF
Federal Office of Private Insurance FOPI

1 Background

This Directive describes minimum requirements for the business report of insurance groups (groups) and insurance conglomerates (conglomerates) subject to supervision.

According to article 25, paragraph 1 ISA, insurance undertakings compile a business report as of 31 December each year. This report must consist of an annual report and an annual statement of accounts. If the insurance undertaking is part of an insurance group (group) or insurance conglomerate (conglomerate), then a consolidated financial statement of accounts for the group/conglomerate must also be submitted.

According to article 70 ISA and 78 ISA, articles 28 and 29 ISA apply mutatis mutandis to groups and conglomerates, respectively. According to article 29, paragraph 2 ISA, the External Auditor compiles a report of its findings during the audit of the annual statement of accounts (notes on the statement of accounts) and submits this report to the supervisory authority. According to article 27, paragraph 3 ISA, the Internal Audit compiles a report on its activities at least once a year and submits this report to the External Auditor. The activities report of the Internal Audit constitutes an annex to the audit report of the External Auditor in accordance with article 29, paragraph 2 ISA.

2 Purpose

The group/conglomerate statement of accounts 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.

3 Scope

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

- insurance groups pursuant to article 65 ISA;
- insurance conglomerates pursuant to article 73 ISA.

4 Terminology

4.1 Group / conglomerate business report

The group/conglomerate business report consists of the consolidated financial statement of accounts of the group/conglomerate and the detailed audit report by the External Auditor.

The audit report submitted to the supervisory authority is in principle based on the consolidated group/conglomerate financial statement compiled in accordance with an accounting standard approved by the supervisory authority.

4.2 Group / conglomerate statement of accounts

According to generally accepted commercial principles, the statement of accounts of a group/conglomerate consists of the annual report and the consolidated financial statement of accounts of the group/conglomerate.

The consolidated financial statement of accounts consists of the consolidated balance sheet, the consolidated operating statement, the consolidated cash flow statement, the consolidated statement of equity, explanations of the accounting method, valuation and consolidation principles applied, and an annex with additional explanations of significant items in the consolidated balance sheet, the consolidated operating statement, and the consolidated statement of equity. The short form report of the External Auditor is a component of the annual statement of accounts.

An interim business report must be submitted on the basis of recognized accounting standards for the group/conglomerate. The interim report of the group/conglomerate consists of an interim (half-yearly) consolidated balance sheet, the consolidated operating statement for the expired period, and an equity capital statement.

4.3 Detailed Audit Report

The detailed audit report by the External Auditor must be submitted once a year with the group/conglomerate business report. The detailed audit report by the External Auditor consist of a detailed report on the audit findings and the activities report of the Internal Audit.

5 Principles – Accounting requirements

So that the same basis can be applied in all cases, the same recognized accounting standards apply to the group/conglomerate consolidated financial statement of accounts as to the calculation of Solvency I.

The International Financial Reporting Standards (IFRS) and the United States Generally Accepted Accounting Principles (US GAAP) are considered internationally recognized accounting standards¹.

Swiss GAAP FER (the expert recommendation on accounting), which is also used nationally, may be classified as equivalent to the IFRS by the supervisory authority upon application. The application must be made in writing prior to first submission of the report.

Correctness and compliance with the applied accounting standards are audited by the External Auditor on the basis of company law.

The interim business report is compiled in accordance with the chosen accounting standards. The interim business report applies 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 less than one business year, the relevant estimates and projections for the interim report are required to the extent that they are necessary for compliance with the accounting standards for the interim report.

¹ For a definition of the accounting requirement, see also the Directive on Solvency I for Insurance Groups and Insurance Conglomerates.

6 Minimum requirements for the group / conglomerate business report

6.1 Content of the group / conglomerate business report

6.1.1 Annual statement of accounts for the group / conglomerate

The following information must be included in the annually submitted statement of accounts for the group/conglomerate:

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

6.1.2 Interim report

The supervisory authority primarily draws on the information and explanations contained in the official published periodic report.

The interim report must contain at least the following components:

- an interim (half-yearly) balance sheet;
- an operating statement appropriate to the period;
- an equity capital statement for the half year.

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

6.2 External Auditors Report

The minimum requirements for the report by the External Auditor consist of a detailed analysis by the External Auditor on the audit of the positions in the consolidated financial statement of the group/conglomerate, and includes the activities report of the Internal Auditor.

7 First submission and submission deadlines

7.1 First submission

The business report of the group/conglomerate must be submitted for the first time in accordance with the requirements set out in the order placing the group/conglomerate under supervision.

7.2 Frequency of group / conglomerate reporting

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

- 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 end-of-year or interim closing.

Federal Office of Private Insurance

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