Summary of Comments on GN on Role of the Approved Auditor			
Respondent's Name	**Section/Page Paragraph**	**Comments**	**Resolution**
The Colonial Group	Para. 9	Under the Companies Act section 89 the members of a company are required to appoint one or more auditors at their statutory annual meeting. In accordance with this consultancy paper, every insurer must appoint an auditor approved by the Authority. Paragraph 9 does not specify the frequency of this appointment under the Insurance Act, or whether it must be a members' appointment. 1. Is it expected that the Insurance Act (IA) appointment must be yearly, to match the Companies Act appointment? 2. Is it expected that where the appointment for the Companies Act results in the same auditor being appointed as is intended to be appointed under the Insurance Act, a separate meeting of directors is required to effect the Insurance Act appointment?	1. No, there is no requirement for an annual appointment in the IA. 2. Once the Authority approves an auditor under the IA, the insurer does not need to have a separate meeting to ratify or effect that approval.
	Para. 10	1. It is recognised that the same auditor may be appointed under the Companies Act as under the Insurance Act. However since the insurer must obtain the Authority's approval of the appointment, and a company must make an annual appointment under the Companies Act, is it intended that an annual approval must be obtained from the Authority under the Insurance Act, or may an appointment be for a specified period of time e.g. 5 years? 2.Is it possible for an appointment to be made under the Companies Act by the members, and subsequently ratified by	1. No, there is no requirement in the IA to reappoint an approved auditor annually nor does that approval have a time limit. Approval is required on initial appointment and when changing an auditor. 2. Yes.

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		the directors of the insurer after obtaining the Authority's approval of the auditor? 3. May an application be made under the Insurance Act for an auditor after the Companies Act appointment of the same auditor has been made? 4. How would the Authority view the outcome of an appointment of an auditor under the Companies Act where the request for approval of that auditor under the Insurance Act is rejected by the Authority?	3. Yes. 4. Notwithstanding the appointment under the Companies Act, the IA requires that the insurer appoint an auditor approved by the Authority. It may seem practical to attain the approval from the Authority before ratifying an appointment under the Companies Act if a company does not want to have two different Auditors.
ABIR	General Comments	1. ABIR respectfully recommends that the BMA add back in to the draft GN the statement that the BMA will comply with the confidentiality sections of the Insurance Act 1978 with respect to any information it obtains from the approved auditor's working papers (as per paragraph 33 of the 2005 GN entitled "Role of the Approved Auditor"). 2. ABIR seeks confirmations that there is no longer a requirement for a candidate auditor to submit a letter of undertaking to the BMA which was required under the old Guidance Note entitled "Fit and Proper Criteria and	1. Agreed. 2. The Authority still believes there is value in requiring the letter of undertaking and will amend the GN to reflect this.

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		Approval Process for the Approved Auditor" and that paragraph 23 now places the burden on the insurer/designated insurer to provide information upon request from the BMA. 3. The GN does not address administrative/technical changes in auditors following the recent apparent changes in Bermuda government policy which permits professional service firms to provide their services from a corporate entity rather than a partnership. Audit firms which were set up as partnerships have established limited liability companies to provide audit services to re/insurers. The audit partnerships have sent letters to re/insurers resigning as the auditor and requesting the appointment of their limited liability company to serve as auditor. The BMA had confirmed that re/insurers were not required to seek the prior approval of such auditor from the BMA so ABIR recommends that there should be clarification from the BMA that with respect to administrative/technical changes in auditors, compliance with paragraphs 29-32 of the draft GN is not required.	3. Paragraphs 29-32 refer to changing an approved auditor. These paragraphs are governed by sections 16 and 16A of the IA which, regardless of the circumstances, addresses the process if there is a change in auditors. The Authority does not require prior approval where the auditor (or firm) does not change. Given that the GN will never cover all possible scenarios, the Authority believes that whenever there is doubt the insurer should approach the Authority for clarification on specific circumstances.

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ABIR	Para. 40b, 41c	1. A reference to the Declaration of Statutory Ratios for insurers is still included, however, we believe this requirement is removed from the reporting requirements now, so should it be removed from the GN?	1.Agreed
	Para. 41	2. How do the "events" noted here compare with auditor's reporting requirements under GAAS? We note that the PCAOB has exposure drafts regarding the auditors reporting model that are not yet final, so we would respectively recommend that the BMA should not proceed with the inclusion of reportable items that are not yet already in GAAS.	2. Paragraph 41 pertains to areas that the Authority regards as pertinent to its statutory function. Where the Authority is silent on certain areas, GAAS will apply.
	Para. 41a	3. What does the BMA mean by "some other deficiency or deficiencies" – Can the BMA please clarify that this only refers to deficiencies in the audit process, not deficiencies in the legal entity's internal control.	3. The Authority is referring to the audit process and any other audit process hindrances, and not the insurer's internal controls.
	Para. 41b	4. ABIR recommends that the BMA introduce some threshold for significance/materiality regarding this paragraph: as currently worded, "any valuation" is effectively a zero threshold. The auditors could encounter difficulty meeting this reporting requirement since an audit is risk-based with a materiality assessment. Currently companies track known accounting inaccuracies which may not be significant for booking into the current reporting period, however as drafted, this GN will require auditors to note all of these items in their report, and to qualify the report for these items which seems rather excessive.	4. Agreed. The Authority will make the following amendment; "The auditor disagrees with the valuations that may have material impact on the statutory financial statements".

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	Para. 44e	5. Can the BMA please clarify why it has established its "own" definition of a material weakness in internal control as opposed to referring to an existing definition, i.e. GAAS? Currently there are three definitions that SEC registrants already must consider (COSO, SEC, and PCAOB), so creating another version effectively adds a 4th definition. ABIR respectfully submits that the BMA's definition is very hard to read and understand when compared to the other definitions. Specifically: (1) An "internal control component" is not defined (should we use the COSO definition?); (2) the concept of "relatively low level" has been introduced whereas the other definitions refer to "likelihood" and "reasonable possibility"; and (3) we also note that for some entities the approved auditor may not even be required to issue a separate report on internal control (particularly at the subsidiary level), so we would hope that Paragraph 44e does not introduce additional audit procedures relating to internal control and hence potentially greater audit fees.	5. Agreed. The wording will be amended as per GAAS.
	Para. 46	6. In regard to the very last paragraph (46) of the Guidance Note, "Access to Information & Reports", is the BMA able to confirm what the audit firms' position is as it relates to giving the BMA access to their working papers?	6. The Authority preconsulted on this issue and did not receive any comments from the audit community on this issue.