



Internal audit outsourcing and co-sourcing
A flexible solution for reinsurance undertakings

November 2017

New regulatory challenges

Luxembourg Law of 7 December 2015 on the insurance sector (*Loi du 7 décembre 2015 sur le secteur des assurances*)

The Law of 7 December 2015 transposes the Solvency II Directive into Luxembourg law. This law empowers the role and responsibilities of the *Commissariat aux Assurances* on controlling and coordinating the insurance sector in Luxembourg, as well as enforces new regulatory standards for reinsurance undertakings. One important requirement addressed by this law is the existence of an effective governance system as a key condition to ensure sound and prudent management and execution of reinsurance activities.



The internal audit function

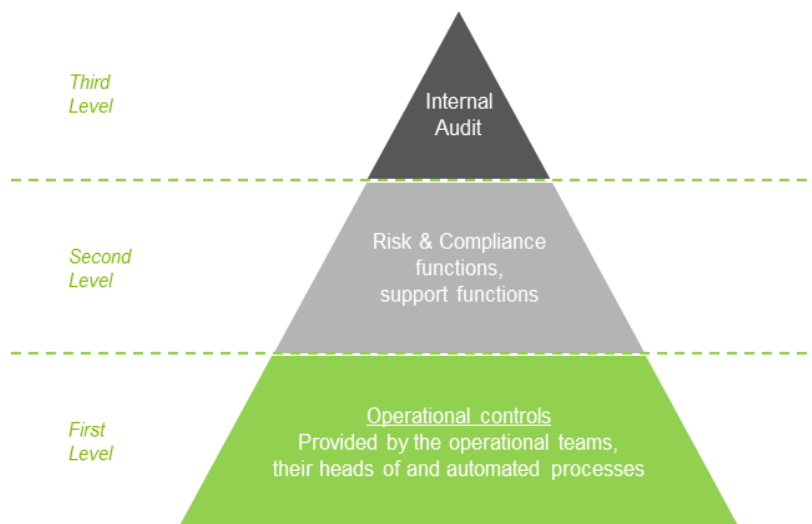
The internal audit function is defined as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

How the internal audit function contributes to an effective governance system

In order to comply with the new regulatory requirements, reinsurance undertakings should implement an effective governance system that is supported by key functions and the “three lines of defense” model. This model requires responsibility to be differentiated and distributed at three different levels, named lines of defense.

As the third line of defense, the internal audit is uniquely positioned:

- To provide an independent assessment of the governance system
- To enhance the communication process between the different functions
- To foster the use of a common language throughout the risk identification, categorization, and reporting processes
- To add value by providing assurance on the design and effectiveness of the overall system of internal control, including risk management and compliance functions



Have you ever wondered...?

- What the new regulatory requirements introduced under the Law of 7 December 2015 are, and how these requirements can be addressed by your undertaking?
- If the current governance structure of your organization is adequate according to the Law of 7 December 2015?
- If there is an effective internal control system in place? If the organizational controls have been appropriately designed? If they are operating effectively?
- What the internal audit role and position is within your undertaking?
- How you can keep up with a constantly evolving regulatory environment?

The Deloitte approach

The Deloitte approach is based on risks and processes, as well as contributing to significantly improving internal audit effectiveness and benefit.

Deloitte's teams rely on a well-proven, modular approach, tailored to specific needs on a case-by-case basis to account for the size and specific features of the reinsurance industry.

Deloitte's made-to-measure services specifically include:

- Outsourcing or co-sourcing your internal audit
- The creation and implementation of your internal audit function
- The optimization of your internal audit function
- Internal audit training.

How can Deloitte help you?

At Deloitte, you will find the internal audit management solution that is most suited to your needs.

Deloitte services

Deloitte offers a full range of internal audit services to reinsurance undertakings that help executives and board members to not only better understand and monitor the performance of critical operations but also, and more importantly, to achieve their strategic goals.

Deloitte's expertise covers the following areas:

Corporate governance	Actuarial activities	Due diligence
Risk assessment	Financial risk modelling	Business continuity programmes
Compliance	Fraud assessment detection and forensics	Data quality and integrity analysis
Regulatory compliance review	Complex asset valuation	IT security and privacy

Deloitte Tax & Consulting PSA license

PSA stands for Professionnels du Secteur d'Assurance or professionals of the insurance and reinsurance sector, and is an official license given to firms meeting a set of qualitative and professional criteria. A PSA license allows a firm to perform a set of defined and regulated services within a certain field.

Currently there are around 20 firms with a PSA status in Luxembourg. These entities are supervised by the Commissariat aux Assurances, which is part of the Ministry of the Economy. Deloitte Tax & Consulting is the only large consulting firm that has obtained a PSA status.

Deloitte Tax & Consulting is a market leader in the insurance sector in Luxembourg and has obtained a PSA license for the provision of services within the fields of governance, including Internal Audit, Compliance, and Risk Management (article 103-12 of the amended law of 6 December 1991/coordinated version of 12 July 2013) and actuarial activities (article 103-10 of the amended law of 6 December 1991/coordinated version of 12 July 2013).

In other terms, by choosing Deloitte for this type of engagement, there is no risk of breaching the Commissariat aux Assurances regulatory obligations.

The Deloitte difference

Deloitte is a recognized leader in internal audit services. By choosing Deloitte, you will benefit from:

- A pioneer approach: Deloitte is **the only large consulting firm** to have acquired the PSA license by the *Commissariat aux Assurances*;
- **Increased coverage and value in the services provided by your internal audit** with access to specialists who have highly specialized expertise in internal audit, proven experience in the reinsurance industry, and in-depth knowledge of the applicable regulations;
- **Greater precision in assessing your risks**, by being proactive and objective in identifying areas of risk before they become a problem;
- **Better control of internal audit expenditure**, by only paying for the necessary productive work time. Deloitte's services allow you to reduce administrative and indirect costs, and to reduce or eliminate training, recruitment, and staff retention costs;
- **An independent and impartial approach** based on analyzing objective criteria;
- **Appropriate, recognized technologies and methodologies**: Deloitte's internal audit specialists use the very latest methodologies as well as automated processes and tools to analyze your organization more effectively.

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