

# At a glance:

## technical provisions

Technical provisions form the backbone of a company's balance sheet. Insufficient provisions can jeopardise the interests of insured persons. FINMA uses a variety of procedures to determine whether technical provisions are sufficient. It defines a range of audit depths and complexities, from standardised basic audits to actuarial reserve reviews.

### FINMA's multi-level approach to auditing technical provisions

---

#### Actuarial reserve reviews

- Conducted by FINMA actuaries
- Independent estimates of selected complex portfolios
- Clarification of special questions on valuation; development of new methods where necessary

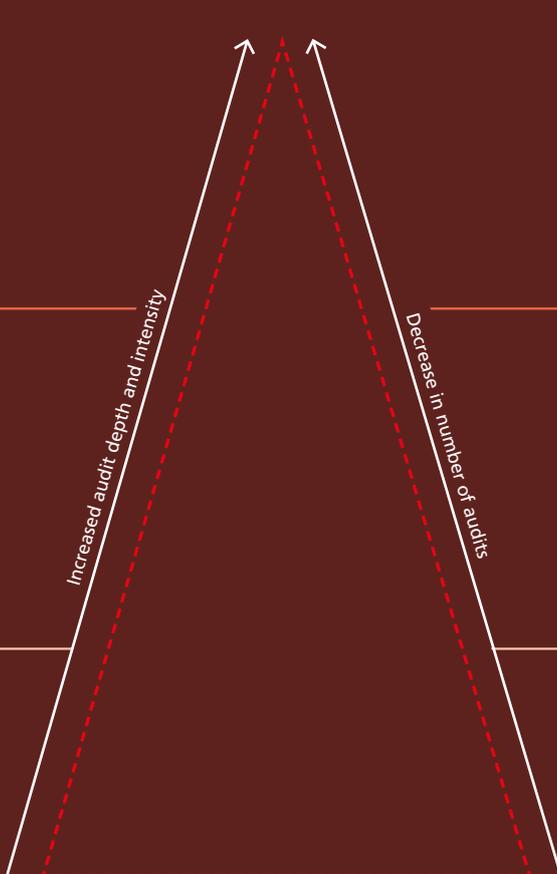
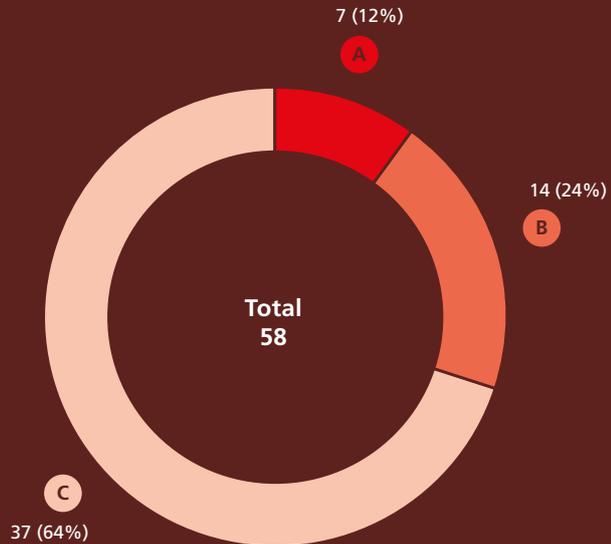
#### Case-related audits

- Conducted by audit companies in collaboration with FINMA actuaries
- Independent estimates of selected multi-level portfolios
- Clarification of special questions on valuation

#### Quantitative basic audits

- Conducted by audit companies
- Independent estimates of selected portfolios
- Link to other supervisory topics (e.g. confirmation of total target amount of tied assets)

## Number of technical provision audits in 2014



- A Actuarial reserve reviews**  
 Actuarial reserve reviews seek to assess the methods, models and parameters for forming technical provisions that are largely close to the market. Interest rate models which forecast future interest rate trends are used to estimate a life insurer's obligations. FINMA ensures that insurance companies only use models that reflect the observed interest rate development. The aim is to avoid situations in which the best estimate of insurance liabilities is inadequate.
- B Case-related audits**  
 During its supervisory activities, FINMA can order that certain portfolios undergo technical provision audits. This may be triggered by irregularities identified in the quantitative basic audit. In such case-related audits, FINMA issues an audit mandate and informs the insurance company that an in-depth audit will be carried out. FINMA then informs the insurance company of the findings and, where necessary, proposes corrective measures. These may result in an increase in the company's technical provisions.
- C Quantitative basic audits**  
 The quantitative basic audit of technical provisions is conducted by the insurance company's audit firm which uses the standard audit programme for technical provisions developed by FINMA.