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Dear Sir

Chapter 4 of CP11/27 - Tracing employers' liability insurers

We welcome the opportunity to comment on Chapter 4 of CP11/27 "Tracing employers' liability insurers".

Our consideration of the proposals has focussed on the proposed requirements for reporting by auditors. In this regard we support the comments made by the ICAEW in their response to this consultation, a copy of which is attached to this letter. In particular, we highlight the following views set out in the ICAEW's response:

- We remain unconvinced that the case for routine reporting by auditors has been made. The targeted use of skilled persons reports would be a more proportionate regulatory response to this issue (paragraphs 6 and 17 of ICAEW's response).
- If the FSA is to require routine reporting by auditors we believed an agreed upon procedures approach would be most appropriate, both from a cost perspective and in terms of the information it would provide to the FSA. In particular, there appears to be little merit in mandating the use of a limited assurance approach in circumstances where the directors are unable to issue and unqualified certificate (paragraphs 6, 17 and 29 of ICAEW's response).
- Notwithstanding these concerns, if the FSA does proceed with a limited assurance approach, we believe the proposed rule wording needs amending to make it clear what the intended scope of the auditors' work is. In particular if it is not intended that the auditors' work addresses the completeness of accuracy of the data held on the insurer's underlying systems then this needs to be reflected in the rules governing auditors' reports (paragraph 22 of ICAEW's response).

Should you wish to discuss the contents of this response please contact Mike Vickery at the address below.

Yours faithfully

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