

**DRAFT ONLY
NOT APPROVED FOR
INTRODUCTION**

HOUSE BILL NO. _____

Insurance-financial reporting requirements.

Sponsored by: Joint Corporations, Elections and Political
Subdivisions Interim Committee

A BILL

for

1 AN ACT relating to insurance companies; providing for
2 independence of certified public accountants completing
3 audits; providing for audit committees; providing for
4 conduct of insurers preparing financial statements;
5 providing for management reports of internal control over
6 financial reporting; and providing for an effective date.

7

8 *Be It Enacted by the Legislature of the State of Wyoming:*

9

10 **Section 1.** W.S. 26-3-315 through 26-3-317 are created
11 to read:

12

13 **26-3-315. Requirements for audit committees.**

1

2 (a) An audit committee shall be directly responsible
3 for the appointment, compensation and oversight of the work
4 of any accountant, including resolution of disagreements
5 between management and the accountant regarding financial
6 reporting, employed for the purpose of preparing or issuing
7 the audited financial report or related work pursuant to
8 this article and each accountant shall report directly to
9 the audit committee.

10

11 (b) Each member of the audit committee shall be a
12 member of the board of directors of the insurer or a member
13 of the board of directors of an entity elected pursuant to
14 W.S. 26-3-315(e) and 26-3-302(a)(vi).

15

16 (c) In order to be considered independent for
17 purposes of this section, a member of the audit committee
18 shall not, other than in his capacity as a member of the
19 audit committee, the board of directors or any other board
20 committee, accept any consulting, advisory or other
21 compensatory fee from the entity or be an affiliated person
22 of the entity or any subsidiary thereof. If any other
23 provision of law requires board participation by otherwise

1 non-independent members, that law shall prevail and such
2 members may participate in the audit committee and be
3 designated as independent for audit committee purposes
4 unless they are an officer or employee of the insurer or
5 one (1) of its affiliates.

6

7 (d) If a member of the audit committee ceases to be
8 independent for reasons outside the member's reasonable
9 control, that person, with notice by the responsible entity
10 to the state, may remain an audit committee member of the
11 responsible entity until the earlier of the next annual
12 meeting of the responsible entity or one (1) year from the
13 occurrence of the event that caused the member to be no
14 longer independent.

15

16 (e) To exercise the election of the controlling
17 person to designate the audit committee for purposes of
18 this article, the ultimate controlling person shall provide
19 written notice to the commissioners of the affected
20 insurers. Notification shall be made timely prior to the
21 issuance of the statutory audit report and include a
22 description of the basis for the election. The election
23 may be changed through notice to the commissioner by the

1 insurer which shall include a description of the basis for
2 the change. The election shall remain in effect for
3 perpetuity, until rescinded.

4

5 (f) The audit committee shall require the accountant
6 that performs for an insurer any audit required by this
7 article to timely report to the audit committee in
8 accordance with the requirements of Statement on Auditing
9 Standards 61, Communication with Audit Committees, or its
10 replacement, including:

11

12 (i) All significant accounting policies and
13 material permitted practices;

14

15 (ii) All material alternative treatments of
16 financial information within statutory accounting
17 principles that have been discussed with management
18 officials of the insurer, ramifications of the use of the
19 alternative disclosures and treatments and the treatment
20 preferred by the accountant; and

21

22 (iii) Other material written communications
23 between the accountant and the management of the insurer,

1 such as any management letter or schedule of unadjusted
2 differences.

3

4 (g) If an insurer is a member of an insurance holding
5 company system the reports required under subsection (f) of
6 this section may be provided to the audit committee on an
7 aggregate basis for insurers in the holding company system,
8 provided that any substantial differences among insurers in
9 the system are identified to the audit committee.

10

11 (h) The proportion of independent audit committee
12 members shall meet or exceed the following criteria, except
13 that the commissioner has authority afforded by state law
14 to require the entity's board to enact improvements to the
15 independence of the audit committee membership if the
16 insurer is in any RBC action level event, meets one (1) or
17 more of the standards of an insurer deemed to be in
18 hazardous financial condition or otherwise exhibits
19 qualities of a troubled insurer:

20

21 (i) For insurers with prior calendar year direct
22 written and assumed premiums of three hundred million
23 dollars (\$300,000,000.00) or less there is no minimum

1 requirement, however such insurers are encouraged to
2 structure their audit committees with at least seventy-five
3 percent (75%) of the audit committee members being
4 independent;

5

6 (ii) For insurers with prior calendar year
7 direct written and assumed premiums of between three
8 hundred million dollars (\$300,000,000.00) and five hundred
9 million dollars (\$500,000,000.00) the audit committee shall
10 have a majority of members that are independent and such
11 insurers are encouraged to structure their audit committees
12 with at least seventy-five percent (75%) of the audit
13 committee members being independent;

14

15 (iii) For insurers with prior calendar year
16 direct written and assumed premiums of more than five
17 hundred million dollars (\$500,000,000.00) at least seventy-
18 five percent (75%) of the members of the audit committee
19 shall be independent;

20

21 (iv) For purposes of this subsection, prior
22 calendar year direct written and assumed premiums shall be

1 the combined total of direct premiums and assumed premiums
2 from non-affiliates for the reporting entities.

3

4 (j) An insurer with direct written and assumed
5 premiums, excluding premiums reinsured with the Federal
6 Crop Insurance Corporation and Federal Flood Program, less
7 than five hundred million dollars (\$500,000,000.00) may
8 make application to the commissioner for a waiver from the
9 requirements of this section based on hardship. The
10 insurer shall file, with its annual statement filing, the
11 approval for relief from this section with the states that
12 it is licensed in or doing business in and the National
13 Association of Insurance Commissioners. If the nondomestic
14 state accepts electronic filing with the NAIC, the insurer
15 shall file the approval in an electronic format acceptable
16 to the NAIC.

17

18 (k) This section shall not apply to foreign or alien
19 insurers licensed in this state or an insurer that is a SOX
20 compliant entity or a direct or indirect wholly-owned
21 subsidiary of a SOX compliant entity, as defined in W.S.
22 26-3-302(a)(xiii).

23

1 (m) The requirements of this section shall be in
2 effect beginning January 1, 2010. An insurer or group of
3 insurers that is not required to have independent audit
4 committee members or only a majority of independent audit
5 committee members because the total written and assumed
6 premium is below the threshold and subsequently becomes
7 subject to any of the independence requirements due to
8 changes in premiums shall have one (1) year following the
9 year the threshold is exceeded to comply with the
10 independence requirements. An insurer that becomes subject
11 to any of the independence requirements as a result of a
12 business combination shall have one (1) calendar year
13 following the date of acquisition or combination to comply
14 with the independence requirements.

15

16 **26-3-316. Conduct of insurer in connection with**
17 **preparation of required reports and documents.**

18

19 (a) No director or officer of an insurer shall,
20 directly or indirectly:

21

22 (i) Make or cause to be made a materially false
23 or misleading statement to an accountant in connection with

1 any audit, review or communication required under this
2 article; or

3

4 (ii) Omit to state or cause another person to
5 omit to state any material fact necessary in order to make
6 statements made, in light of the circumstances under which
7 the statements were made, not misleading to an accountant
8 in connection with any audit, review or communication
9 required under this article.

10

11 (b) No officer or director of an insurer or any other
12 person acting under the direction thereof shall directly or
13 indirectly take any action to coerce, manipulate, mislead
14 or fraudulently influence any accountant engaged in the
15 performance of an audit pursuant to this article if that
16 person knew or should have known that the action, if
17 successful, could result in rendering the insurer's
18 financial statements materially misleading. For purposes
19 of this subsection, actions that, if successful, could
20 result in rendering the insurer's financial statements
21 materially misleading include, but are not limited to,
22 actions taken at any time with respect to the professional

1 engagement period to coerce, manipulate, mislead or
2 fraudulently influence an accountant to:

3

4 (i) Issue or reissue a report on an insurer's
5 financial statements that is not warranted in the
6 circumstances due to material violations of statutory
7 accounting principles prescribed by the commissioner,
8 generally accepted auditing standards or other professional
9 or regulatory standards;

10

11 (ii) Not perform any audit, review or other
12 procedures required by generally accepted auditing
13 standards or other professional standards;

14

15 (iii) Not withdraw an issued report; or

16

17 (iv) Not communicate matters to an insurer's
18 audit committee.

19

20 (c) Violation of this section shall be punishable as
21 provided in W.S. 26-1-107.

22

1 **26-3-317. Management's report of internal control**
2 **over financial reporting.**

3
4 (a) Every insurer required to file an audited
5 financial report pursuant to this article that has annual
6 direct written and assumed premiums, excluding premiums
7 reinsured with the Federal Crop Insurance Corporation and
8 Federal Flood Program, of five hundred million dollars
9 (\$500,000,000.00) or more shall prepare a report of the
10 insurer's or group of insurers' internal control over
11 financial reporting. The report shall be filed with the
12 commissioner along with the communication of internal
13 control related matters noted in an audit described in W.S.
14 26-3-310. Management's report of internal control over
15 financial reporting shall be as of the immediately
16 preceding December 31.

17
18 (b) Notwithstanding the premium threshold in
19 subsection (a) of this section, the commissioner may
20 require an insurer to file management's report of internal
21 control over financial reporting if the insurer is in any
22 RBC level event or meets any one (1) or more of the

1 standards of an insurer deemed to be in hazardous financial
2 condition as defined in W.S. 26-3-116.

3

4 (c) An insurer or group of insurers that is directly
5 subject to Section 404, part of a holding company system
6 whose parent is directly subject to Section 404, not
7 directly subject to Section 404 but is a SOX compliant
8 entity or a member of a holding company system whose parent
9 is not directly subject to Section 404 but is a SOX
10 compliant entity, may file its or its parent's Section 404
11 report and an addendum in satisfaction of this section
12 provided that those internal controls of the insurer or
13 group of insurers having material impact on the preparation
14 of the insurer's or group of insurers' audited statutory
15 financial statements were included in the scope of the
16 Section 404 report. The addendum shall be a positive
17 statement by management that there are no material
18 processes with respect to the preparation of the insurer's
19 or group of insurers' audited financial statements excluded
20 from the Section 404 report. If there are internal
21 controls of the insurer or group of insurers that have a
22 material impact on the preparation of the insurer's or
23 group of insurers' audited statutory financial statements

1 and those internal controls were not included in the scope
2 of the Section 404 report, the insurer or group of insurers
3 may either file a report under this section or the Section
4 404 report and a report under this section for those
5 internal controls that have a material impact on the
6 preparation of the insurer's or group of insurers' audited
7 statutory financial statements not covered by the Section
8 404 report.

9

10 (d) A management's report of internal control over
11 financial reporting shall include:

12

13 (i) A statement that management is responsible
14 for establishing and maintaining adequate internal control
15 over financial reporting;

16

17 (ii) A statement that management has established
18 internal control over financial reporting and an assertion
19 to the best of management's knowledge and belief, after
20 diligent inquiry, as to whether its internal control over
21 financial reporting is effective to provide reasonable
22 assurance regarding the reliability of financial statements
23 in accordance with statutory accounting principles;

1

2 (iii) A statement that briefly describes the
3 approach or processes by which management evaluated the
4 effectiveness of its internal control over financial
5 reporting;

6

7 (iv) A statement that briefly describes the
8 scope of work that is included and whether any internal
9 controls were excluded;

10

11 (v) Disclosure of any unremediated material
12 weaknesses in the internal control over financial reporting
13 identified by management as of the immediately preceding
14 December 31. Management shall not conclude that the
15 internal control over financial reporting is effective to
16 provide reasonable assurance regarding the reliability of
17 financial statements in accordance with statutory
18 accounting principles if there is one (1) or more
19 unremediated material weakness in its internal controls
20 over financial reporting;

21

22 (vi) A statement regarding the inherent
23 limitations of internal control systems; and

1

2 (vii) Signatures of the chief executive officer

3 and the chief financial officer or the equivalent position.

4

5 (e) Management shall document and make available upon

6 financial condition examination the basis upon which its

7 assertions required in subsection (d) of this section are

8 made. Management may base its assertions, in part, upon

9 its review, monitoring and testing of internal controls

10 undertaken in the normal course of its activities.

11 Management shall have discretion as to the nature of the

12 internal control framework used and the nature and extent

13 of documentation in order to make its assertions in a cost

14 effective manner and may include assembly of or reference

15 to existing documentation. Management's report on internal

16 control over financial reporting and any documentation

17 provided in support thereof during the course of a

18 financial conditions examination shall be kept confidential

19 by the department.

20

21 (f) The requirements of this section are effective

22 beginning with the reporting period ending December 31,

23 2010 and each year thereafter. An insurer or group of

1 insurers that is not required to file a report because the
2 total written premium is below the threshold and
3 subsequently becomes subject to the reporting requirements
4 shall have two (2) years following the year the threshold
5 is exceeded to file a report. An insurer that becomes
6 subject to any of the reporting requirements as a result of
7 a business combination shall have two (2) calendar years
8 following the date of acquisition or combination to comply
9 with the reporting requirements.

10

11 **Section 2.** W.S. 26-3-301 through 26-3-314 are amended
12 to read:

13

14 **26-3-301. Scope of article.**

15

16 (a) Every insurer as defined by W.S. 26-1-102(a)(xvi)
17 shall be subject to this article. Insurers having direct
18 premiums written in this state of less than one million
19 dollars (\$1,000,000.00) in any calendar year ~~or~~ and less
20 than one thousand (1,000) policyholders or certificate
21 holders of ~~directly~~ direct written policies nationwide at
22 the end of a calendar year shall be exempt from this

1 article for that year except an insurer shall not be exempt
2 if:

3

4 (b) Foreign or alien insurers filing the audited
5 financial ~~reports~~ report in another state, pursuant to that
6 state's requirement for filing of audited financial reports
7 which has been found by the commissioner to be
8 substantially similar to the requirements of this article,
9 are exempt from ~~this article~~ W.S. 26-3-303 through 26-3-312

10 if:

11

12 (i) A copy of the ~~report on significant~~
13 ~~deficiencies in internal controls,~~ audited financial
14 report, communication of internal control related matters
15 noted in an audit and the accountant's letter of
16 qualifications which are filed with the other state are
17 filed with the commissioner and a copy of the audited
18 financial report which is on file with the other state is
19 filed with the National Association of Insurance
20 Commissioners in accordance with the filing dates specified
21 in W.S. 26-3-303, 26-3-310 and 26-3-311, respectively.
22 Canadian insurers may submit accountants' reports as filed
23 with the ~~Canadian dominion department of insurance~~ office

1 of the superintendent of financial institutions, Canada;
2 and

3
4 (d) Foreign or alien insurers required to file
5 management's report of internal control over financial
6 reporting in another state are exempt from filing the
7 report in this state provided the other state has
8 substantially similar reporting requirements and the report
9 is filed with the commissioner of the other state within
10 the time specified.

11
12 **26-3-302. Definitions.**

13
14 (a) As used in this article:

15
16 (iv) "Insurer" means as defined in W.S.
17 26-1-102(a) (xvi) ~~;~~

18
19 (v) "Affiliate of" or "affiliated with" a
20 specific person means a person that directly, or indirectly
21 through one (1) or more intermediaries, controls or is
22 controlled by or is under common control with the person
23 specified;

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(vi) "Audit committee" means a committee established by the board of directors of an entity for the purpose of overseeing the accounting and financial reporting processes of an insurer or group of insurers and audits of financial statements of the insurer or group of insurers. The audit committee of any entity that controls a group of insurers may be deemed to be the audit committee for one (1) or more of these controlled insurers solely for the purposes of this regulation at the election of the controlling person. If an audit committee is not designated by the insurer, the insurer's entire board of directors shall constitute the audit committee;

(vii) "Independent board member" means as defined in W.S. 26-3-315(c);

(viii) "Internal control over financial reporting" means a process effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance regarding the reliability of the financial statements and includes those policies and procedures that:

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(A) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;

(B) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and

(C) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material affect on the financial statements.

(ix) "Group of insurers" means those licensed insurers included in the reporting requirements of W.S. 26-44-101 through 26-44-117 or a set of insurers as identified by management, for the purpose of assessing the effectiveness of internal control over financial reporting;

1 (x) "SEC" means the United States Securities and
2 Exchange Commission;

3

4 (xi) "Section 404" means section 404 of the
5 Sarbanes-Oxley Act of 2002 and the SEC's rules and
6 regulations promulgated thereunder;

7

8 (xii) "Section 404 report" means management's
9 report on internal control over financial reporting as
10 defined by the SEC and the related attestation report of
11 the independent certified public accountant;

12

13 (xiii) "SOX compliant entity" means an entity
14 that either is required to be compliant with or voluntarily
15 is compliant with all of the following provisions of the
16 Sarbanes-Oxley Act of 2002:

17

18 (A) The preapproval requirements of Section
19 201;

20

21 (B) The audit committee independence
22 requirements of Section 301; and

23

1 (C) The internal control over financial
2 reporting requirements of Section 404.

3
4 **26-3-303. General requirements related to filing and**
5 **extensions for filing of annual audited financial reports;**
6 **audit committee appointment.**

7
8 (c) If an extension is granted in accordance with
9 subsection (b) of this section, a similar extension of
10 thirty (30) days is granted to the filing of the
11 management's report of internal control over financial
12 reporting.

13
14 (d) Every insurer required to file an annual audited
15 financial report pursuant to this section shall designate a
16 group of individuals as constituting its audit committee.
17 The audit committee of an entity that controls an insurer
18 may be deemed to be the insurer's audit committee for
19 purposes of this article at the election of the controlling
20 person.

21
22 **26-3-305. Designation of independent certified public**
23 **accountant.**

1

2 (a) Each insurer required by this article to file an
3 annual audited financial report shall within sixty (60)
4 days after becoming subject to the requirement, register
5 with the commissioner in writing the name and address of
6 the independent certified public accountant or accounting
7 firm retained to conduct the annual audit. Insurers not
8 retaining an independent certified public accountant on or
9 before April 1, 1994 shall register the name and address of
10 their retained independent certified public accountant not
11 less than six (6) months before the date when the first
12 audited financial report is to be filed.

13

14 **26-3-306. Qualifications of independent certified**
15 **public accountant.**

16

17 (c) ~~After April 1, 1996 no partner or other person~~
18 ~~responsible for rendering a report under this article~~ After
19 January 1, 2010, the lead or coordinating audit partner
20 having primary responsibility for the audit shall not act
21 in that capacity for more than ~~seven (7)~~ five (5)
22 consecutive years. ~~Following that period of service the~~
23 ~~person shall be disqualified from acting~~ The person shall

1 be disqualified from acting in that or a similar capacity
2 for the same company or its insurance subsidiaries or
3 affiliates for a period of ~~two (2)~~ five (5) consecutive
4 years. An insurer may make application to the commissioner
5 for relief from the rotation requirement on the basis of
6 unusual circumstances. This application shall be made at
7 least thirty (30) days before the end of the calendar year.
8 The insurer shall file with its annual statement, the
9 approval for relief pursuant to this subsection with the
10 states in which it is licensed or doing business and with
11 the NAIC. If the nondomestic state accepts electronic
12 filing with the NAIC, the insurer shall file the approval
13 in an electronic format acceptable to the NAIC. The
14 commissioner may consider the following factors in
15 determining whether the relief should be granted:

16

17 (d) The commissioner shall ~~not~~ neither recognize as a
18 qualified independent certified public accountant, nor
19 accept any annual audited financial report, prepared in
20 whole or in part by, any natural person who:

21

22 (e) The commissioner may hold a hearing to determine
23 whether ~~a~~ an independent certified public accountant is

1 qualified and, considering the evidence presented, may rule
2 that the accountant is not qualified for purposes of
3 expressing his opinion on the financial statements in the
4 annual audited financial report made pursuant to this
5 article and require the insurer to replace the accountant
6 with another whose relationship with the insurer is
7 qualified within the meaning of this article.

8
9 (g) The commissioner shall not recognize as a
10 qualified independent certified public accountant, nor
11 accept an annual audited financial report, prepared in
12 whole or in part by an accountant who provides to an
13 insurer, contemporaneously with the audit, the following
14 non-audit services:

15
16 (i) Bookkeeping or other services related to the
17 accounting records or financial statements of the insurer;

18
19 (ii) Financial information systems design and
20 implementation;

21
22 (iii) Appraisal or valuation services, fairness
23 opinion or contribution-in-kind reports;

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(iv) Actuarially-oriented advisory services involving the determination of amounts recorded in the financial statements. The accountant may assist an insurer in understanding the methods, assumptions and inputs used in the determination of amounts recorded in the financial statement only if it is reasonable to conclude that the services provided will not be subject to audit procedures during an audit of the insurer's financial statements. An accountant's actuary may also issue an actuarial opinion or certification on an insurer's reserves if the following conditions have been met:

(A) Neither the accountant nor the accountant's actuary has performed any management functions or made any management decisions;

(B) The insurer has competent personnel or engages a third party actuary to estimate the reserves for which management takes responsibility; and

1 (C) The accountant's actuary tests the
2 reasonableness of the reserves after insurer's management
3 has determined the amount of the reserves.

4
5 (v) Internal audit outsourcing services;

6
7 (vi) Management functions or human resources;

8
9 (vii) Broker or dealer, investment adviser or
10 investment banking services;

11
12 (viii) Legal services or expert services
13 unrelated to the audit; or

14
15 (ix) Any other services that the commissioner
16 determines by regulation to be impermissible. In
17 determining whether other services are impermissible, the
18 commissioner shall consider the principle that the
19 accountant may not function in the role of management, may
20 not audit his own work and may not serve in an advocacy
21 role for the insurer.

22

1 (h) Insurers having direct written and assumed
2 premiums of less than one hundred million dollars
3 (\$100,000,000.00) in any calendar year may request an
4 exemption from subsection (g) of this section. The insurer
5 shall file with the commissioner a written statement
6 discussing the reasons why the insurer should be exempt
7 from subsection (g) of this section. If the commissioner
8 finds, upon review of the statement, that compliance with
9 subsection (g) of this section would constitute a financial
10 or organizational hardship on the insurer, an exemption may
11 be granted.

12
13 (j) A qualified independent certified public
14 accountant who performs the audit may engage in other non-
15 audit services, including tax services, that are not
16 described in subsection (g) of this section or that do not
17 conflict with paragraph (g)(ix) of this section only if the
18 activity is approved in advance by the audit committee in
19 accordance with subsection (k) of this section.

20
21 (k) All auditing services and non-audit services
22 provided to an insurer by the qualified independent
23 certified public accountant of the insurer shall be

1 preapproved by the audit committee. The preapproval
2 requirement shall be waived with respect to non-audit
3 services if the insurer is a SOX compliant entity or a
4 direct or indirect wholly-owned subsidiary of a SOX
5 compliant entity or if:

6
7 (i) The aggregate amount of all non-audit
8 services provided to the insurer constitutes not more than
9 five percent (5%) of the total amount of fees paid by the
10 insurer to its qualified independent certified public
11 accountant during the fiscal year in which the non-audit
12 services are provided;

13
14 (ii) The services were not recognized by the
15 insurer at the time of the engagement to be non-audit
16 services; and

17
18 (iii) The services are promptly brought to the
19 attention of the audit committee and approved prior to the
20 completion of the audit by the audit committee or by one
21 (1) or more members of the audit committee who are the
22 members of the board of directors to whom authority to

1 grant such approvals has been delegated by the audit
2 committee.

3
4 (m) The audit committee may delegate to one (1) or
5 more designated members of the audit committee the
6 authority to grant the preapprovals required under
7 subsection (k) of this section. The decisions of any
8 member to whom this authority is delegated shall be
9 presented to the full audit committee at each of its
10 scheduled meetings.

11
12 (n) The commissioner shall not recognize an
13 independent certified public accountant as qualified for a
14 particular insurer if a member of the board, president,
15 chief executive officer, controller, chief financial
16 officer, chief accounting officer or any person serving in
17 an equivalent position for that insurer was employed by the
18 independent certified public accountant and participated in
19 the audit of that insurer during the one (1) year period
20 preceding the date that the most current statutory opinion
21 is due. This subsection shall only apply to partners and
22 senior managers involved in the audit. An insurer may make
23 application to the commissioner for relief from this

1 subsection on the basis of unusual circumstances. The
2 insurer shall file with its annual statement filing the
3 approval for relief under this subsection with the states
4 that it is licensed in or doing business in and with the
5 NAIC. If the nondomestic state accepts electronic filing
6 with the NAIC, the insurer shall file the approval in an
7 electronic format acceptable to the NAIC.

8
9 **26-3-308. Scope of audit and report of independent**
10 **certified public accountant.**

11
12 Financial statements furnished pursuant to W.S. 26-3-304
13 shall be examined by ~~an~~the independent certified public
14 accountant. The ~~examination~~audit of the insurer's
15 financial statements shall be conducted in accordance with
16 generally accepted auditing standards. In accordance with
17 Accumulation of Audit Standards (AU) Section 319 of the
18 professional standards of the American Institute of
19 Certified Public Accountants, Consideration of Internal
20 Control in a Financial Statement Audit, the independent
21 certified public accountant shall obtain an understanding
22 of internal control sufficient to plan the audit. To the
23 extent required by AU 319, for those insurers required to

1 file a management's report of internal control over
2 financial reporting pursuant to W.S. 26-3-317, the
3 independent certified public accountant shall consider the
4 most recently available report in planning and performing
5 the audit of the statutory financial statements.

6 Consideration shall be given to the procedures illustrated
7 in the financial condition examiner's handbook promulgated
8 by the National Association of Insurance Commissioners as
9 the independent certified public accountant deems
10 necessary.

11
12 **26-3-309. Notification of adverse financial**
13 **condition.**

14
15 (a) An insurer required to furnish an annual audited
16 financial report shall require the independent certified
17 public accountant to report, in writing, within five (5)
18 business days to the board of directors or its audit
19 committee any determination supported by adequate research
20 conducted by the independent certified public accountant:

21
22 (i) That the insurer has materially misstated
23 its financial condition reported to the commissioner as of

1 the balance sheet date currently under ~~examination~~ audit;
2 or

3

4 **26-3-310. Communication of internal control related**
5 **matters noted in an audit.**

6

7 (a) In addition to the annual audited financial
8 ~~statements~~ report, each insurer shall furnish the
9 commissioner with a written ~~report prepared by the~~
10 ~~accountant describing significant deficiencies in the~~
11 ~~insurer's~~ communication as to any unremediated material
12 weakness, as defined in statement on auditing standard 60
13 or its replacement, in its internal control ~~structure over~~
14 financial reporting noted by the accountant during the
15 audit. ~~No additional report shall be issued if the~~
16 ~~accountant does not identify significant deficiencies. If~~
17 ~~significant deficiencies are noted, the written report~~
18 ~~shall be filed annually by the insurer with the department~~
19 Such communication shall be prepared by the accountant
20 within sixty (60) days after the filing of the annual
21 audited financial ~~statements~~ report and shall contain a
22 description of any unremediated material weakness as of
23 December 31 immediately preceding in the insurer's internal

1 control over financial reporting noted by the accountant
2 during the course of the audit of the financial statements.

3 If no unremediated material weaknesses were noted, the
4 communication shall so state. The insurer shall provide a
5 description of remedial actions taken or proposed to
6 correct ~~significant deficiencies~~ unremediated material
7 weaknesses, if the actions are not described in the
8 accountant's ~~report~~ communication.

9
10 **26-3-312. Definition, availability and maintenance of**
11 **independent certified public accountants' workpapers.**

12
13 (a) Workpapers are the records kept by the
14 independent certified public accountant of the procedures
15 followed, the tests performed, the information obtained,
16 and the conclusions reached pertinent to his ~~examination~~
17 audit of the financial statements of an insurer. Workpapers
18 may include audit planning documentation, work programs,
19 analyses, memoranda, letters of confirmation and
20 representation, abstracts of company documents and
21 schedules or commentaries prepared or obtained by the
22 independent certified public accountant in the course of
23 his ~~examination~~ audit of the financial statements of an

1 insurer and which support his opinion of those financial
2 statements.

3

4 (b) Every insurer required to file an audited
5 financial report pursuant to this article shall require the
6 accountant to make available for review by department
7 examiners, all workpapers prepared in the conduct of his
8 ~~examination~~audit and any communications related to the
9 audit between the accountant and the insurer, at the
10 offices of the insurer, the department or at any other
11 reasonable place designated by the commissioner. The
12 insurer shall require that the accountant retain the audit
13 workpapers and communications until the department has
14 filed a report on examination covering the period of the
15 audit but no longer than seven (7) years from the date of
16 the audit report.

17

18 **26-3-313. Exemptions and effective dates.**

19

20 (a) Upon written application of any insurer, the
21 commissioner may grant an exemption from compliance with
22 any or all provisions of this article if the commissioner
23 finds, upon review of the application, that compliance with

1 this article would constitute a financial or organizational
2 hardship upon the insurer. Exemptions may be granted at
3 any time for a specified period. Within ten (10) days from
4 a denial of an insurer's written request for an exemption
5 from this article, the insurer may request in writing a
6 hearing on its application for an exemption. The hearing
7 shall be held in accordance with the rules and regulations
8 of the department pertaining to administrative hearing
9 procedures.

10

11 **26-3-314. Canadian and British companies.**

12

13 In the case of Canadian and British insurers, the annual
14 audited financial report shall be defined as the annual
15 statement of total business on the form filed by such
16 companies with their ~~domiciliary~~ supervision authority duly
17 audited by an independent chartered accountant. For
18 Canadian and British insurers, the letter required in W.S.
19 26-3-305(b) shall state that the accountant is aware of the
20 requirements relating to the annual audited ~~statement~~
21 financial report filed with the commissioner pursuant to
22 W.S. 26-3-303 and shall affirm that the opinion expressed
23 is in conformity with those requirements.

1

2

26-34-110. Annual report.

3

4

(b) The health maintenance organization shall file on
or before March 1, unless otherwise stated:

6

7

(i) Audited financial statements in accordance with
the provisions of W.S. 26-3-301 through ~~26-3-314~~26-3-317
on or before June 1;

10

11

Section 3. W.S. 26-3-313(b) and (c) is repealed.

12

13

Section 4. This act is effective January 1, 2010.

14

15

***** Note: Is it possible to make the effective date July
1, 2010 and put the January date in statute? This would
save on printing costs. *****

18

19

(END)