



**THIS IS NOT THE FORMAL “NOTICE OF PROPOSED ACTION”**

Participation in this prenotice public discussion will be in addition to, and not in substitution for, any participation in a formal rulemaking process. This invitation to this prenotice public discussion does not constitute a Notice of Proposed Action under the Administrative Procedure Act. Consequently, comments (oral or written) received in connection with this prenotice public discussion will not be included in a rulemaking file, which will not be opened until the time a formal Notice of Proposed Action is issued. Similarly, the CDI is not required to respond to comments received at this prenotice public discussion. For this reason, when a rulemaking file is opened and you wish to have comments included in the rulemaking file and/or you wish to require the CDI to respond to comments as part of the process by which it adopts a proposed regulation, you must present your comments during the formal public comment period according to the procedures outlined in the Notice of Proposed Action. The Notice of Proposed Action will be issued in 2009.

The CDI nonetheless welcomes your participation in this prenotice public discussion and welcomes the opportunity to consider all of the information provided.

**DESCRIPTION OF PROPOSED REGULATIONS**

The regulations are required by the National Association of Insurance Commissioners' accreditation standards and are intended to improve the CDI's review of the financial condition of insurers by (1) requiring an annual audit of financial statements reporting the financial position and results of operations (this is a current requirement); (2) providing additional standards for the content of the audits; (3) requiring the Communication of Internal Control Related Matters in an Audit; (4) requiring Management's Report of Internal Control over Financial Reporting.

In general, an insurer is subject to the regulations based on the level or amount of that insurer's direct premiums written in a calendar year.

The following description is illustrative only; therefore, it should not be relied upon as a complete summary of the regulations. The complete text of the regulations is attached to this Notice. The regulations include provisions, *inter alia*, regarding the following:

- (1) requirements regarding the contents of the audited financial statements;
- (2) requirements for insurers to register with the Commissioner the name and address of their designated independent certified accountant;
- (3) qualifications for independent certified public accountants eligible to conduct the audits;

- (4) conditions when insurers may consolidate or combine audit reports;
- (5) audit report scope;
- (6) duty of insurers and independent certified public accountants to report adverse financial conditions to the Commissioner;
- (7) duty of insurers to report to the Commissioner any unremediated material weaknesses;
- (8) requirement for independent certified public accountant to furnish insurers with a Letter of Qualifications;
- (9) definitions, availability, and maintenance of independent certified accountants' work papers;
- (10) requirements for Audit Committees;
- (11) insurers' conduct in connection with the preparation of the required reports and documents;
- (12) insurers' report of internal control over financial reporting;
- (13) exemptions and effective dates

#### **FULL TEXT OF THE PROPOSED REGULATIONS**

The full text of the proposed regulations is attached hereto.

#### **INQUIRIES**

All inquiries regarding the proposed regulation and the prenotice public discussion should be directed to the person listed below.

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