# Government of the District of Columbia

**Department of Insurance Securities and Banking**

**Gennet Purcell**
**Commissioner**

BULLETIN
10-IB-02-03/16

TO: ALL LIFE AND HEALTH INSURERS, HEALTH MAINTENANCE ORGANIZATIONS, AND HOSPITAL AND MEDICAL SERVICE CORPORATIONS LICENSED TO DO BUSINESS IN THE DISTRICT OF COLUMBIA

SUBJECT: CHANGES TO CPA AUDIT RULE, FINANCIAL REPORTING REQUIREMENTS AND OTHER RESPONSIBILITIES

FROM: GENNET PURCELL, COMMISSIONER

DATE: MARCH 16, 2010

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The intent of this bulletin is to communicate to all District of Columbia licensed insurance companies the Department's intention to have amended D.C. Official Code § 31-301 et seq., which sets forth the annual financial reporting requirements and describes other responsibilities. The revised language includes the establishment of audit committees with certain enumerated responsibilities, the prohibition of indemnification language, the clarification of independence, the requirements to communicate certain internal control related matters, the proscribed conduct of officers and directors in connection with the preparation of certain required financial reports and documents, and the filing of reports of internal control over financial reporting, among other things. The legislation is drafted consistent with the National Association of Insurance Commissioners' ("NAIC") Annual Financial Reporting Model Regulation.

The proposed amendment, which the Department anticipates will be enacted by the end of the third quarter 2010, will declare that the Commissioner shall require District of Columbia-domiciled companies' audit committees to be directly responsible for the appointment, compensation and oversight of any accountant and the resolution of disagreements between management and the accountant regarding financial reporting. Each accountant shall report directly to the audit committee. Each audit committee shall have the required proportion of independent members as defined in Section 14, paragraph (g). The audit committee shall require the accountant performing an audit to timely report to the audit committee (a) all significant accounting policies and material

permitted practices, (b) all material alternative treatments of financial information within statutory accounting principles that have been discussed with management of the insurer, the ramifications of the use of the alternative management disclosures and the treatment preferred by the accountant; and (c) Any other material written communication between the accountant and the management of the insurer, including, but not limited to any management letter or schedule of unadjusted differences.

Accordingly, because the proposed amendment will become effective upon enactment, the Department, as a courtesy, is advising insurers to make the appropriate and necessary changes to audit committee membership and responsibilities immediately. Certain other requirements of the proposed amendment to the law are effective for the reporting period ending December 31, 2010.

If you have question concerning this bulletin, please contact Nathaniel Kevin Brown at (202) 442-7785 or by email at nathaniel.brown@dc.gov.