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**The Insurance Federation of Pennsylvania, Inc.**

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REVIEW SUBMISSION

**John R. Doubman**  
Secretary & Counsel

March 15, 2004

Peter J. Salvatore,  
Regulatory Coordinator  
Special Projects Office  
1326 Strawberry Square  
Harrisburg, PA 17120

**Re: Annual Audited Financial Report Regulation  
Chapter 147, Fiscal Note 11-217**

Dear Mr. Salvatore:

The Insurance Federation is pleased to report that its member companies support the adoption of the captioned regulation noticed in the February 13, 2004, Pennsylvania Bulletin.

The Federation has raised three issues over the course of responding to an exposure draft and considering the published proposed regulation. In our exposure draft comments of August 22, 2003, the Federation suggested that the regulation be tightened up concerning requiring the CPA to supply a corrected report to an insurer. The Insurance Department acted to adjust the regulation in this respect when it submitted the regulation for publication.

In the same comments, the Federation suggested a modification to Section 147.6(b)(2) to clarify that a CPA could not indemnify itself from liability for failure to adhere to professional auditing standards regardless of the actions of the insurer. While the Department chose to stay with the NAIC language on this, our companies have not indicated that this is a significant defect in the regulations.

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Finally, the Federation informally raised with Deputy Commissioner Johnson and his staff the issue of whether materiality standards are sufficiently an integral part of the regulations that the requirements would not apply to immaterial changes in the audit reports. Their explanation is that the NAIC Practices and Procedures Manual standards are clearly included. Since this incorporation is in a part of the regulation not reprinted in the proposed new regulation, it may be that our commentator missed this. In any event, the explanation appears satisfactory.

Finally, allow me to compliment the Insurance Department staff for its prompt attention and clear responses to the concerns which the Federation has raised throughout this process. It is sincerely appreciated.

Thank you for considering our suggestions. If you have any comments or questions, please give me a call.

Very truly yours,

John R. Doubman

c: Robert E. Nyce, Executive Director  
Independent Regulatory Review Commission

Gibson Armstrong  
Chairman, Senate Banking and Insurance Committee

Nicholas A. Micozzie  
Chairman, House Insurance Committee

Stephen J. Johnson, CPA  
Deputy Insurance Commissioner