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March 4, 2009

INDEPENDENT REGULATORY
REVIEW COMMISSION

Peter J. Salvatore
Regulatory Coordinator
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120

(And via email to psalvatore@state.pa.us)

Re: 31 Pennsylvania Code, Chapter 147, Annual Audited Insurers' Financial Report Required, PA Bulletin, February 14, 2009, p.841 ff.

Dear Mr. Salvatore:

This letter contains the comments of the Pennsylvania Association of Mutual Insurance Companies (PAMIC) on the referenced rulemaking. The proposed regulation contains revisions to 31 Pa. Code, Chapter 147, governing preparation of audited annual financial statements and the duties and responsibilities of auditors and companies regarding such audited statements. When adopted, these revisions will make Pennsylvania insurance regulations consistent with the current National Association of Insurance Commissioners (NAIC) model.

Maintaining such consistency with the NAIC is important because this regulation is a component of the NAIC Financial Regulation Standards and Accreditation Program. This program is designed to ensure a uniformly high standard of state financial solvency regulation. Such standards promote insurer solvency, consumer protection, and preservation of the role of the states as the primary level of insurance company regulation.

Clearly, any national standard to assure fairness in operation must be mindful of the differential impact on smaller and regional insurers of complex and expensive upgrades such as those represented by these amendments. The NAIC, in adopting this model regulation, was mindful of this differential. The model contains premium thresholds that must be exceeded before some of the more expensive, cumbersome and, for smaller and regional insurers, unnecessary provisions are required, e.g., percentage of audit committee required to be independent, the prohibition of the use of audit firms for bookkeeping and other ancillary services (exemption available on the basis of hardship shown), and the requirement of management reports on internal control over financial reporting. There is also provision for a company of any size to apply for an exemption from any part of the regulation in the case of clearly demonstrated hardship. The Pennsylvania version submitted in this proceeding preserves all these essential features.

This regulation represents an important step toward further assuring insurer financial solvency and preserving a vigorous and uniform state-based system of regulation. Therefore, PAMIC fully supports its adoption in Pennsylvania.

Sincerely,

Steven C. Elliott, J.D., CPCU
President

cc: Stephen J. Johnson, CPA
Deputy Commissioner, Corporate and Financial Regulation

Kenneth R. Shutts, President and COO, Penn National Insurance

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Comments on the regulation listed below have been received from the following:

Reg # **Regulation Title**
11-238 *Annual Audited Insurers' Financial Report Required*

Mr. Steve C. Elliott Date Received **3/4/2009** Date Sent To Cmtes/IRRC **3/5/2009**
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