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The Insurance Federation of Pennsylvania, Inc.

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Samuel R. Marshall
President & CEO

March 13, 2009

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

**Re: Annual Audited Insurers' Financial Report Required -
31 Pa. Code Chapter 147**

Dear Peter:

We strongly support the Insurance Department's proposed regulation amending this chapter, with the following recommendations that are technical corrections and clarifications and consistent with the regulation. Our support is on behalf of our members and our national counterparts.

Section 147.3a - Audit committees

Subsection (g) (1): We recommend this be amended to change "This section does not apply..." to "**The requirements of subsections (b), (c), (e) and (f) do not apply...**" That is consistent with the general purpose of the regulation and the NAIC model on which it is based.

Subsection (g) (2): We recommend this be amended, in conjunction with corresponding changes to subsection (g) (3), to state "**This section does not apply to continuing care providers.**" There is no need for the reference to

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foreign insurers since they are exempt from the entire Chapter under Section 147.13(f) if their domiciliary state has a substantially similar law. SOX compliant entities should be covered in subsection (g) (3).

Subsection (g) (3): We recommend this be amended to read, "The requirements of (b)-(e) do not apply to **Sarbanes-Oxley compliant entities, direct or indirect wholly-owned subsidiaries of Sarbanes-Oxley compliant entities, or** insurers subject to section 1405(c)(4) and (5) of the Insurance Company Law..." Moving SOX compliant companies to this subsection clarifies that they still have to meet the requirements of subsection (f) for audits done under statutory as opposed to GAAP accounting principles.

Section 147.4 - Contents of an annual audited financial Report

Subsection (b)(3): We appreciate the change to include "communication of internal control related matters noted in the audit." We recommend it be clarified to add, "**in accordance with AU Section 325 of the Professional Standards of the American Institute of Certified Public Accountants (SAS 112), Communicating Internal Control Related Matters Identified in an Audit, or its replacement.**" This could either be done in the text of this subsection or in the explanations in the preamble.

Section 147.6 - Recognition of CPAs

Subsection (d): We recommend the two-year disqualification period be extended to **five** years, as in the NAIC model.

Subsection (f) (3): We recommend this be amended to begin with "**During the fiscal year in which non-audited services are provided,...**", as in the NAIC model.

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Section 147.6a - Letter of qualifications for CPAs

Subsections (6) and (7): We recommend changing "declaration" to "representation", as in the NAIC model.

Again, we and our national brethren, and the members of all organizations, emphasize our strong support this regulation, and we appreciate the Department's leadership, cooperation and patience in working through this with us. With these revisions, we look forward to working with the Department on its prompt promulgation and implementation.

Sincerely,

Samuel R. Marshall

C: Steven Johnson
Deputy Insurance Commissioner

John H. Jewett, Regulatory Analyst
IRRC

Honorable Donald C. White
Honorable Michael J. Stack, III
Senate Banking and Insurance Committee

Honorable Anthony M. DeLuca
Honorable Nicholas A. Micozzie
House Insurance Committee