



BUREAU OF INSURANCE

April 20, 2000

Administrative Letter 2000 - 4

- TO: All Companies Licensed under Chapter 10, 11, 12, 25, 26, 38, 39, 40, 41, 42, 43, 44, 45 or 46 of Title 38.2 of the Code of Virginia**
- RE: Seven Year Rotation of Certified Public Accountants
Rules Governing Annual Audited Financial Reports
(14 VAC 5-270-10 et seq.)**

The purpose of this letter is to remind insurers and other affected parties that, pursuant to 14 VAC 5-270-80 C, no partner or other person responsible for rendering an annual audited financial report may act in that capacity for more than seven consecutive years.

The "Rules Governing Annual Audited Financial Reports" (14 VAC 5-270-10 et seq.) became effective in 1991. However, the seven year rotation requirement found in subsection 14 VAC 5-270-80 C did not become effective until 1993. Insurers and other affected parties are reminded that any partner or other person who has been responsible for rendering the annual audited financial report for the period ending December 31, 1993, and all subsequent years to date shall be disqualified from acting in that or a similar capacity for the insurer, or its insurance subsidiaries or affiliates, with respect to the audited financial reports filed for the period ending December 31, 2000, and December 31, 2001. An insurer may request relief from this rotation requirement based on the existence of unusual circumstances. The Bureau may consider the following factors in determining if relief should be granted:

1. The number of partners, expertise of the partners, or the number of insurance clients in the currently registered firm;
2. The premium volume of the insurer; or
3. The number of jurisdictions in which the insurer transacts business.

Written requests for relief from this rotation requirement should address the factors listed above, and identify also the person and, if applicable, the title of the person or persons responsible for rendering the annual audited financial reports for each of the

last seven years. A foreign or alien company seeking relief shall include with its request a letter from its domiciliary regulator specifying the reason relief was granted in the domiciliary jurisdiction and, if applicable, explaining the conditions of the relief granted. Written requests for relief in connection with the December 31, 2000, audited financial report should be received by the Bureau no later than July 31, 2000. Written requests for relief in connection with audited financial reports for years ending December 31, 2001, and beyond should be received by the Bureau no later than July 31 of the reporting year.

All companies which are required to file an annual audited financial report pursuant to 14 VAC 5-270-30, including foreign and alien insurers, must comply with the requirements as set forth in 14 VAC 5-270-80 C and as restated in this letter.

Insurers and other affected parties are reminded also that the letter required by 14 VAC 5-270-130 should indicate compliance with 14 VAC 5-270-80 by disclosing the number of years the engagement partner (partner responsible for rendering an annual audited financial report) has served in that capacity with respect to the company.

Questions regarding the implementation of the contents of this letter should be sent to the attention of Edward J. Buyalos, Jr. for domestic insurers, Andy R. Delbridge for health maintenance organizations and Gregory D. Walker for foreign and alien insurers c/o:

State Corporation Commission, Bureau of Insurance
Financial Regulation Division
P.O. Box 1157
Richmond, VA 23218

Sincerely,

Alfred W. Gross
Commissioner of Insurance