

Notice of Public Hearing
LSA Document #09-376

Notice of Public Hearing

Under [IC 4-22-2-24](#), notice is hereby given that on October 9, 2009, at 10:00 a.m., at the Department of Insurance, 311 West Washington Street, Suite 300, Indianapolis, Indiana, the Department of Insurance will hold a public hearing on proposed rules to improve the department's surveillance of the financial condition of insurers by requiring an annual audit of financial statements reporting the financial position and the results of operations of insurers by independent certified public accountants, requiring the communication of internal control related matters noted in an audit, and requiring the management's report of internal control over financial reporting.

The proposed rule is based upon a model regulation adopted by the National Association of Insurance Commissioners (NAIC). This model regulation must be effective in each state by December 31, 2009, in order for that state to maintain its accreditation with the NAIC. States failing to maintain NAIC accreditation will subject domestic insurers to financial examinations from each of the other 49 NAIC accredited states. The proposed rule will impact insurance companies doing business only in Indiana and writing more than \$1,000,000 in premium. Insurers doing business in other states are already required to comply with this rule in other states, so this proposed rule will not impact these multistate insurers. Certified public accountants (CPAs) will also be impacted by the proposed rule. The total annual economic impact on regulated entities affected by the proposed rule is \$1,000 or less. Insurers and CPAs would only incur this cost if, during the course of the audit required by [IC 27-1-3.5-6](#), the CPA notes unremediated material weaknesses in its internal control over financial reporting. If none are noted, the costs would not be incurred. The requirements and costs imposed on insurers and CPAs are minimal. If the proposed rule is not adopted and Indiana loses NAIC accreditation, each of the 49 other states could require Indiana domestic insurers to be examined. The costs of each financial examination would be borne by the domestic insurers and would be financially burdensome. Therefore, the department determined that adoption of the model standards issued by the NAIC to maintain accreditation would be most beneficial to Indiana domestic insurers.

Copies of these rules are available on the Department of Insurance's website at www.in.gov/idoi.

Copies of these rules are now on file at the Department of Insurance, 311 West Washington Street, Suite 300 and Legislative Services Agency, One North Capitol, Suite 325, Indianapolis, Indiana and are open for public inspection.

Carol Cutter
Commissioner
Department of Insurance

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