

ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE AMENDING A RULE

To amend Ins 50.06 (2) (f) and repeal 50.06 (2) (f) 1. & 2. Wis. Adm. Code, relating to notes to financial statements.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

Statutory authority: ss. 600.01(2), 601.41(3), 601.42, & 623.02, Stats.

Statutes interpreted: ss. 600.01 & 623.02, Stats.

Analysis

This rule change relates to the required footnotes in the CPA audit report on the statutory financial statements of insurance companies.

Under the existing Ins 50.06(2)(f), the footnotes include those required by the NAIC (National Association of Insurance Commissioners) annual statement instructions and by generally accepted accounting principles. The footnotes shall also include: (1) a reconciliation of the differences, if any, between the audited statutory financial statements and the annual statement filed by the company under Ins 50.20, and (2) a summary of the ownership and relationships between the insurance company and all affiliates.

The NAIC has adopted a more detailed accounting manual ("Codification") for insurance companies for use beginning in 2001. The NAIC Accounting Practices & Procedures Manual specifically identifies all the required footnotes, including the ownership and relationships between the insurance company and all affiliates. Therefore, the language in the existing rule referring to footnotes required by generally accepted accounting practices, and to the ownership and relationships with affiliates, can be deleted and replaced with the reference to the NAIC Accounting Practices and Procedures Manual. The remainder of the changes to the text involve moving subsection (1) into the body of the text because subsection (2) is deleted.

OCI considers this change to be nonsubstantive. It follows the NAIC's changes to its model audit rule as a result of Codification. The proposed change has been reviewed and commented upon by national CPA firms and insurance company trade associations as the NAIC revised its model audit rule. The proposed amendment is identical to the NAIC's amended audit rule, which is expected to be adopted in every state. The national uniformity of the amended audit rule in each state will minimize the costs for CPA firms to complete their required audits and for the multi-state insurance company groups who pay for them.

SECTION 1. Section Ins 50.06 (2) (f) (intro) is renumbered s. Ins 50.06 (2) (f) and amended to read:

Ins 50.06 (2) (f) Notes to financial statements. These notes shall be those required by the appropriate national association of insurance commissioners' annual statement instructions and ~~_ any other notes required by generally accepted accounting principles and accounting practices and procedures~~ manual. The notes shall also include: a reconciliation of differences, if any, between the audited statutory financial statements and the annual statement filed pursuant to subch. II with a written description of the nature of these differences.

SECTION 2. Section Ins 50.06 (2) (f) 1. & 2. Are repealed.

These changes will take effect on the first day of the month after publication, as provided in s. 227.22(2)(intro.), Stats.

Dated at Madison, Wisconsin, this _____ day of September, 2001.

Connie L. O'Connell
Commissioner of Insurance



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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