

# COMMONWEALTH OF VIRGINIA

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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

June 12, 2009

Administrative Letter 2009 - 07

- To:** All Companies Licensed under Chapter 10, 11, 12, 25, 26, 40, 41, 42, 43, 44, 45, 46 or 61 of Title 38.2 of the Code of Virginia
- Re:** Five Year Rotation of Certified Public Accountants  
Rules Governing Annual Audited Financial Reports  
(Rules Governing Annual Financial Reporting -- 14 VAC 5-270)  
Withdrawal of Administrative Letter 2000-04

**The provisions of this administrative letter, effective January 1, 2010, replace the provisions of Administrative Letter 2000-04.**

The purpose of this letter is to inform insurers and other affected parties that, pursuant to 14 VAC 5-270-80 D, no partner or other person responsible for rendering an annual audited financial report may act in that capacity for more than five consecutive years. This five year rotation requirement replaces the current seven year rotation requirement effective January 1, 2010.

An order adopting revisions to the "Rules Governing Annual Audited Financial Reports" was entered on January 23, 2008. The revisions to the rules will become effective on January 1, 2010, at which time the rules will be renamed to the "Rules Governing Annual Financial Reporting." The revisions to subsection 14 VAC 5-270-80 D changes the seven year CPA rotation requirement to a five year rotation requirement for audits of the year beginning January 1, 2010, and thereafter. 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, 2005, 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, 2010, through December 31, 2014. 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 five 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 audited financial reports for years ending December 31, 2010, and beyond should be received by the Bureau no later than December 1 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 D 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 from domestic insurers regarding the implementation of the contents of this letter should be directed to:

Gregory T. Chew  
Supervisor, Financial Analysis Section - Domestic Companies  
Financial Regulation Division, Bureau of Insurance  
State Corporation Commission  
P.O. Box 1157  
Richmond, VA 23218  
(804) 371-9214  
[gregory.chew@scc.virginia.gov](mailto:gregory.chew@scc.virginia.gov)

Questions from health maintenance organizations regarding the implementation of the contents of this letter should be directed to:

Andy R. Delbridge  
Supervisor, Company Licensing and Regulatory Compliance Section  
Financial Regulation Division, Bureau of Insurance  
State Corporation Commission  
P.O. Box 1157  
Richmond, VA 23218  
(804) 371-9616  
[andy.delbridge@scc.virginia.gov](mailto:andy.delbridge@scc.virginia.gov)

Questions from foreign insurers regarding the implementation of the contents of this letter should be directed to:

Gregory D. Walker  
Supervisor, Financial Analysis Section – Non-Domestic Companies  
Financial Regulation Division, Bureau of Insurance  
State Corporation Commission  
P.O. Box 1157  
Richmond, VA 23218  
(804) 371-9604  
[greg.walker@scc.virginia.gov](mailto:greg.walker@scc.virginia.gov)

Cordially,



Alfred W. Gross  
Commissioner of Insurance

AWG/rpm