

# HOUSE BILL No. 5214

October 2, 1991, Introduced by Reps. Hoekman and Brown and referred to the Committee on Insurance.

A bill to amend Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended, being sections 500.100 to 500.8302 of the Michigan Compiled Laws, by adding chapter 10.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 218 of the Public Acts of 1956, as  
2 amended, being sections 500.100 to 500.8302 of the Michigan  
3 Compiled Laws, is amended by adding chapter 10 to read as  
4 follows:

### CHAPTER 10

#### ANNUAL AUDITED FINANCIAL REPORTS

##### SEC. 1001. AS USED IN THIS CHAPTER:

8 (A) "AUDITED FINANCIAL REPORT" MEANS THE REPORT REQUIRED IN  
9 SECTION 1005.

1 (B) "INDEPENDENT PUBLIC ACCOUNTANT" MEANS AN INDEPENDENT  
2 CERTIFIED PUBLIC ACCOUNTANT OR ACCOUNTING FIRM IN GOOD STANDING  
3 WITH THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND  
4 IN GOOD STANDING IN ALL STATES IN WHICH THEY ARE LICENSED TO  
5 PRACTICE. FOR CANADIAN AND BRITISH COMPANIES, "INDEPENDENT  
6 PUBLIC ACCOUNTANT" MEANS A CANADIAN-CHARTERED OR  
7 BRITISH-CHARTERED ACCOUNTANT.

8 SEC. 1003. (1) THIS CHAPTER DOES NOT APPLY TO EITHER OF THE  
9 FOLLOWING:

10 (A) INSURERS HAVING DIRECT PREMIUMS WRITTEN IN THIS STATE OF  
11 LESS THAN \$1,000,000.00 IN ANY YEAR AND HAVING LESS THAN 1,000  
12 POLICYHOLDERS IN THIS STATE AT THE END OF ANY YEAR UNLESS THE  
13 COMMISSIONER MAKES A SPECIFIC FINDING THAT COMPLIANCE IS NECES-  
14 SARY FOR THE COMMISSIONER TO CARRY OUT THIS CHAPTER.

15 (B) INSURERS FILING AUDITED FINANCIAL REPORTS IN ANOTHER  
16 STATE, PURSUANT TO THE OTHER STATE'S REQUIREMENT OF AUDITED  
17 FINANCIAL REPORTS THAT HAVE BEEN FOUND BY THE COMMISSIONER TO BE  
18 SUBSTANTIALLY SIMILAR TO THE REQUIREMENTS OF THIS CHAPTER, IF A  
19 COPY OF THE AUDITED FINANCIAL REPORT AND THE EVALUATION OF  
20 ACCOUNTING PROCEDURES AND SYSTEMS OF INTERNAL CONTROL REPORT THAT  
21 ARE FILED WITH THE OTHER STATE ARE FILED WITH THE COMMISSIONER IN  
22 ACCORDANCE WITH THE FILING DATES SPECIFIED IN SECTIONS 1005 AND  
23 1017 OR, IF A CANADIAN INSURER, A COPY OF THE INDEPENDENT PUBLIC  
24 ACCOUNTANTS' REPORTS THAT ARE FILED WITH THE CANADIAN DOMINION  
25 DEPARTMENT OF INSURANCE, AND A COPY OF ANY NOTIFICATION OF  
26 ADVERSE FINANCIAL CONDITION REPORT FILED WITH THE OTHER STATE IS

1 FILED WITH THE COMMISSIONER WITHIN THE TIME SPECIFIED IN  
2 SECTION 1015.

3 (2) THIS CHAPTER DOES NOT PROHIBIT, PRECLUDE, OR IN ANY WAY  
4 LIMIT THE COMMISSIONER FROM ORDERING, CONDUCTING, AND PERFORMING  
5 EXAMINATIONS OF INSURERS UNDER THIS ACT.

6 SEC. 1005. (1) EACH INSURER AUTHORIZED TO DO BUSINESS IN  
7 THIS STATE SHALL HAVE AN ANNUAL AUDIT BY AN INDEPENDENT PUBLIC  
8 ACCOUNTANT AND SHALL FILE AN AUDITED FINANCIAL REPORT WITH THE  
9 COMMISSIONER ON OR BEFORE JUNE 1 FOR THE IMMEDIATELY PRECEDING  
10 CALENDAR YEAR.

11 (2) EXTENSIONS OF THE JUNE 1 FILING DATE UNDER SUBSECTION  
12 (1) MAY BE GRANTED BY THE COMMISSIONER FOR 30-DAY PERIODS UPON A  
13 SHOWING BY THE INSURER AND ITS INDEPENDENT PUBLIC ACCOUNTANT OF  
14 THE REASONS FOR REQUESTING THE EXTENSION AND UPON A DETERMINATION  
15 BY THE COMMISSIONER OF GOOD CAUSE FOR AN EXTENSION. THE EXTEN-  
16 SION REQUEST SHALL BE SUBMITTED IN WRITING NOT LESS THAN 10 DAYS  
17 PRIOR TO THE DUE DATE AND IN SUFFICIENT DETAIL TO PERMIT THE COM-  
18 MISSIONER TO MAKE AN INFORMED DECISION ON THE REQUESTED  
19 EXTENSION.

20 SEC. 1007. (1) THE ANNUAL AUDITED FINANCIAL REPORT SHALL  
21 REPORT THE INSURER'S FINANCIAL CONDITION AS OF THE END OF THE  
22 MOST RECENT CALENDAR YEAR AND THE RESULTS OF ITS OPERATIONS,  
23 CHANGES IN FINANCIAL POSITION, AND CHANGES IN CAPITAL AND SURPLUS  
24 FOR THE YEAR THEN ENDED IN CONFORMITY WITH STATUTORY ACCOUNTING  
25 PRACTICES PRESCRIBED, OR OTHERWISE PERMITTED, BY THE COMMISSIONER  
26 AND SHALL INCLUDE ALL OF THE FOLLOWING:

(A) THE REPORT OF AN INDEPENDENT PUBLIC ACCOUNTANT.

(B) A BALANCE SHEET REPORTING ADMITTED ASSETS, LIABILITIES,  
CAPITAL, AND SURPLUS.

(C) A STATEMENT OF GAIN OR LOSS FROM OPERATIONS.

(D) A STATEMENT OF CHANGES IN FINANCIAL POSITION.

(E) A STATEMENT OF CHANGES IN CAPITAL AND SURPLUS.

(F) NOTES TO FINANCIAL STATEMENTS. THESE NOTES SHALL BE  
THOSE REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND  
SHALL INCLUDE BOTH OF THE FOLLOWING:

(i) A RECONCILIATION OF DIFFERENCES, IF ANY, BETWEEN THE  
AUDITED STATUTORY FINANCIAL STATEMENTS AND THE ANNUAL STATEMENT  
FILED PURSUANT TO SECTION 438 WITH A WRITTEN DESCRIPTION OF THE  
NATURE OF THESE DIFFERENCES.

(ii) A NARRATIVE EXPLANATION OF ALL SIGNIFICANT INTERCOMPANY  
TRANSACTIONS AND BALANCES.

(2) THE FINANCIAL STATEMENTS INCLUDED IN THE AUDITED FINAN-  
CIAL REPORT SHALL BE PREPARED IN A FORM AND USING LANGUAGE AND  
GROUPINGS SUBSTANTIALLY THE SAME AS THE RELEVANT SECTIONS OF THE  
INSURER'S ANNUAL STATEMENT FILED WITH THE COMMISSIONER, MAY BE  
ROUNDED TO THE NEAREST THOUSAND DOLLARS, MAY COMBINE INSIGNIFI-  
CANT AMOUNTS, AND, EXCEPT FOR THE FIRST YEAR THE INSURER IS  
REQUIRED TO FILE AN AUDITED FINANCIAL REPORT, SHALL BE COMPARA-  
TIVE, PRESENTING THE AMOUNTS AS OF DECEMBER 31 OF THE CURRENT  
YEAR AND THE AMOUNTS AS OF THE IMMEDIATELY PRECEDING DECEMBER 31.

SEC. 1009. (1) EACH INSURER REQUIRED BY THIS CHAPTER TO  
FILE AN ANNUAL AUDITED FINANCIAL REPORT SHALL REGISTER WITH THE  
COMMISSIONER IN WRITING, WITHIN 60 DAYS AFTER BECOMING SUBJECT TO

1 THIS REQUIREMENT, THE NAME AND ADDRESS OF THE INDEPENDENT PUBLIC  
2 ACCOUNTANT OR ACCOUNTING FIRM RETAINED TO CONDUCT THE ANNUAL  
3 AUDIT UNDER THIS CHAPTER. INSURERS NOT RETAINING AN INDEPENDENT  
4 PUBLIC ACCOUNTANT ON THE EFFECTIVE DATE OF THIS CHAPTER SHALL  
5 REGISTER THE NAME AND ADDRESS OF THEIR RETAINED INDEPENDENT  
6 PUBLIC ACCOUNTANT NOT LESS THAN 6 MONTHS BEFORE THE DATE WHEN THE  
7 FIRST CERTIFICATION IS TO BE FILED.

8 (2) THE INSURER SHALL OBTAIN A LETTER FROM THE INSURER'S  
9 INDEPENDENT PUBLIC ACCOUNTANT AND SHALL FILE A COPY WITH THE COM-  
10 MISSIONER STATING THAT THE INDEPENDENT PUBLIC ACCOUNTANT IS AWARE  
11 OF THE INSURANCE CODE'S PROVISIONS AND THE RULES AND REGULATIONS  
12 OF THE STATE OF DOMICILE'S INSURANCE DEPARTMENT THAT RELATE TO  
13 ACCOUNTING AND FINANCIAL MATTERS AND AFFIRMING THAT HE OR SHE  
14 WILL EXPRESS HIS OR HER OPINION ON THE FINANCIAL STATEMENTS AS TO  
15 WHETHER THEY CONFORM TO THE STATUTORY ACCOUNTING PRACTICES PRE-  
16 SCRIBED OR OTHERWISE PERMITTED BY THAT DEPARTMENT, SPECIFYING THE  
17 EXCEPTIONS AS HE OR SHE BELIEVES APPROPRIATE.

18 (3) IF AN INDEPENDENT PUBLIC ACCOUNTANT WHO WAS NOT THE  
19 INDEPENDENT PUBLIC ACCOUNTANT FOR THE IMMEDIATELY PRECEDING FILED  
20 AUDITED FINANCIAL REPORT IS ENGAGED TO AUDIT THE INSURER'S FINAN-  
21 CIAL STATEMENTS, THE INSURER SHALL NOTIFY, WITHIN 30 DAYS AFTER  
22 THE DATE THE INDEPENDENT PUBLIC ACCOUNTANT IS ENGAGED, THE COM-  
23 MISSIONER OF THIS EVENT. THE INSURER SHALL ALSO FURNISH THE COM-  
24 MISSIONER WITH A SEPARATE LETTER STATING WHETHER IN THE 24 MONTHS  
25 PRECEDING THE ENGAGEMENT THERE WERE ANY DISAGREEMENTS WITH THE  
26 FORMER INDEPENDENT PUBLIC ACCOUNTANT ON ANY MATTER OF ACCOUNTING  
27 PRINCIPLES OR PRACTICES, FINANCIAL STATEMENT DISCLOSURE, OR

1 AUDITING SCOPE OR PROCEDURE, WHICH DISAGREEMENTS, IF NOT RESOLVED  
2 TO THE SATISFACTION OF THE FORMER INDEPENDENT PUBLIC ACCOUNTANT,  
3 WOULD HAVE CAUSED THE FORMER INDEPENDENT PUBLIC ACCOUNTANT TO  
4 REFER TO THE SUBJECT MATTER OF THE DISAGREEMENT IN CONNECTION  
5 WITH HIS OR HER OPINION. THE INSURER SHALL ALSO REQUEST IN WRIT-  
6 ING THE FORMER INDEPENDENT PUBLIC ACCOUNTANT TO FURNISH A LETTER  
7 ADDRESSED TO THE INSURER STATING WHETHER THE INDEPENDENT PUBLIC  
8 ACCOUNTANT AGREES WITH THE STATEMENTS CONTAINED IN THE INSURER'S  
9 LETTER AND, IF NOT, STATING THE REASONS FOR WHICH HE OR SHE DOES  
10 NOT AGREE. THE INSURER SHALL FURNISH THIS RESPONSIVE LETTER FROM  
11 THE FORMER INDEPENDENT PUBLIC ACCOUNTANT TO THE COMMISSIONER  
12 TOGETHER WITH ITS OWN.

13 SEC. 1010. (1) THE COMMISSIONER SHALL NOT RECOGNIZE AS AN  
14 INDEPENDENT PUBLIC ACCOUNTANT A PERSON OR FIRM UNLESS THAT PERSON  
15 OR FIRM IS IN GOOD STANDING WITH THE AMERICAN INSTITUTE OF CERTI-  
16 FIED PUBLIC ACCOUNTANTS AND IN GOOD STANDING IN ALL STATES IN  
17 WHICH THE INDEPENDENT PUBLIC ACCOUNTANT IS LICENSED TO PRACTICE,  
18 OR, FOR A CANADIAN OR BRITISH COMPANY, UNLESS THAT PERSON OR FIRM  
19 IS A CHARTERED ACCOUNTANT.

20 (2) EXCEPT AS OTHERWISE PROVIDED, A CERTIFIED PUBLIC ACCOUN-  
21 TANT SHALL BE RECOGNIZED AS INDEPENDENT AS LONG AS HE OR SHE CON-  
22 FORMS TO THE STANDARDS OF HIS OR HER PROFESSION, AS CONTAINED IN  
23 THE CODE OF PROFESSIONAL ETHICS OF THE AMERICAN INSTITUTE OF CER-  
24 TIFIED PUBLIC ACCOUNTANTS, ITS RULES AND REGULATIONS, AND THIS  
25 STATE'S BOARD OF ACCOUNTANCY'S CODE OF ETHICS AND RULES OF PRO-  
26 FESSIONAL CONDUCT.

1 (3) AN INDEPENDENT PUBLIC ACCOUNTANT OR ACCOUNTING FIRM  
2 RETAINED TO CONDUCT AN ANNUAL AUDIT UNDER THIS CHAPTER SHALL NOT  
3 ACT IN THAT CAPACITY FOR THE SAME INSURER FOR MORE THAN 7 CONSEC-  
4 UTIVE YEARS. FOLLOWING SUCH A 7-YEAR PERIOD OF SERVICE, THE  
5 INDEPENDENT PUBLIC ACCOUNTANT OR ACCOUNTING FIRM SHALL NOT CON-  
6 DUCT AN ANNUAL AUDIT UNDER THIS CHAPTER FOR THE SAME INSURER OR  
7 ITS INSURANCE SUBSIDIARIES OR AFFILIATES FOR A PERIOD OF 2  
8 YEARS. AN INSURER MAY APPLY FO RELIEF FROM THE COMMISSIONER FROM  
9 THIS ROTATION REQUIREMENT ON THE BASIS OF UNUSUAL CIRCUMSTANCES.  
10 THE COMMISSIONER MAY CONSIDER THE FOLLOWING FACTORS IN DETERMIN-  
11 ING IF RELIEF SHOULD BE GRANTED:

12 (A) NUMBER OF PARTNERS, EXPERTISE OF THE PARTNERS, OR THE  
13 NUMBER OF INSURANCE CLIENTS IN THE INDEPENDENT PUBLIC ACCOUNTING  
14 FIRM.

15 (B) THE INSURER'S PREMIUM VOLUME.

16 (C) NUMBER OF JURISDICTIONS IN WHICH THE INSURER TRANSACTS  
17 BUSINESS.

18 (4) THE COMMISSIONER SHALL NOT RECOGNIZE AS A QUALIFIED  
19 INDEPENDENT PUBLIC ACCOUNTANT, OR ACCEPT AN ANNUAL AUDITED FINAN-  
20 CIAL REPORT, PREPARED IN WHOLE OR IN PART BY AN INDIVIDUAL WHO  
21 HAS DONE ANY OF THE FOLLOWING:

22 (A) BEEN CONVICTED OF FRAUD, BRIBERY, A VIOLATION OF CHAPTER  
23 96 OF TITLE 18 OF THE UNITED STATES CODE, 18 U.S.C. 1961 TO 1968,  
24 OR ANY DISHONEST CONDUCT OR PRACTICES UNDER FEDERAL OR STATE  
25 LAW.

1 (B) BEEN FOUND TO HAVE VIOLATED THE INSURANCE LAWS OF THIS  
2 STATE WITH RESPECT TO ANY PREVIOUS REPORTS SUBMITTED UNDER THIS  
3 CHAPTER.

4 (C) DEMONSTRATED A PATTERN OR PRACTICE OF FAILING TO DETECT  
5 OR DISCLOSE MATERIAL INFORMATION IN PREVIOUS REPORTS FILED UNDER  
6 THIS CHAPTER.

7 (5) THE COMMISSIONER MAY HOLD A PUBLIC HEARING PURSUANT TO  
8 THE ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF THE  
9 PUBLIC ACTS OF 1969, BEING SECTIONS 24.201 TO 24.328 OF THE  
10 MICHIGAN COMPILED LAWS, TO DETERMINE WHETHER A CERTIFIED PUBLIC  
11 ACCOUNTANT IS INDEPENDENT. AFTER CONSIDERING THE EVIDENCE  
12 PRESENTED, THE COMMISSIONER MAY RULE THAT THE ACCOUNTANT IS NOT  
13 INDEPENDENT FOR PURPOSES OF EXPRESSING HIS OR HER OPINION ON THE  
14 FINANCIAL STATEMENTS IN THE ANNUAL AUDITED FINANCIAL REPORT MADE  
15 PURSUANT TO THIS CHAPTER AND MAY REQUIRE THE INSURER TO REPLACE  
16 THE ACCOUNTANT WITH ANOTHER WHOSE RELATIONSHIP WITH THE INSURER  
17 IS INDEPENDENT WITHIN THE MEANING OF THIS CHAPTER.

18 SEC. 1011. AN INSURER MAY MAKE WRITTEN APPLICATION TO THE  
19 COMMISSIONER FOR APPROVAL TO FILE AUDITED CONSOLIDATED OR COM-  
20 BINED FINANCIAL STATEMENTS IN LIEU OF SEPARATE ANNUAL AUDITED  
21 FINANCIAL STATEMENTS. IF APPROVAL IS GIVEN, A COLUMNAR CONSOLI-  
22 DATING OR COMBINING WORK SHEET SHALL BE FILED WITH THE REPORT, AS  
23 FOLLOWS:

24 (A) AMOUNTS SHOWN ON THE CONSOLIDATED OR COMBINED AUDITED  
25 FINANCIAL REPORT SHALL BE SHOWN ON THE WORK SHEET.

26 (B) AMOUNTS FOR EACH INSURER SUBJECT TO THIS SECTION SHALL  
27 BE STATED SEPARATELY.



1 (C) NONINSURANCE OPERATIONS MAY BE SHOWN ON THE WORK SHEET  
2 ON A COMBINED OR INDIVIDUAL BASIS.

3 (D) EXPLANATIONS OF CONSOLIDATING AND ELIMINATING ENTRIES  
4 SHALL BE INCLUDED.

5 (E) ANY DIFFERENCES BETWEEN THE AMOUNTS SHOWN IN THE INDI-  
6 VIDUAL INSURER COLUMNS OF THE WORK SHEET AND COMPARABLE AMOUNTS  
7 SHOWN ON THE ANNUAL STATEMENTS OF THE INSURERS SHALL BE  
8 RECONCILED.

9 SEC. 1013. FINANCIAL STATEMENTS FURNISHED PURSUANT TO  
10 SECTION 1007 SHALL BE EXAMINED BY AN INDEPENDENT PUBLIC  
11 ACCOUNTANT. THE EXAMINATION OF THE INSURER'S FINANCIAL STATE-  
12 MENTS SHALL BE CONDUCTED IN ACCORDANCE WITH GENERALLY ACCEPTED  
13 AUDITING STANDARDS.

14 SEC. 1015. AN INSURER REQUIRED TO FURNISH THE ANNUAL  
15 AUDITED FINANCIAL REPORT SHALL REQUIRE THE INDEPENDENT PUBLIC  
16 ACCOUNTANT TO IMMEDIATELY NOTIFY IN WRITING AN EXECUTIVE OFFICER  
17 AND ALL THE INSURER'S DIRECTORS OF THE FINAL DETERMINATION BY  
18 THAT INDEPENDENT PUBLIC ACCOUNTANT THAT THE INSURER HAS MATERI-  
19 ALLY MISSTATED ITS FINANCIAL CONDITION AS REPORTED TO THE COMMIS-  
20 SIONER AS OF THE BALANCE SHEET DATE CURRENTLY UNDER EXAMINATION  
21 OR THAT THE INSURER DOES NOT MEET THE MINIMUM CAPITAL AND SURPLUS  
22 REQUIREMENT OF THIS ACT AS OF THAT DATE. THE INSURER SHALL FUR-  
23 NISH THIS NOTIFICATION TO THE COMMISSIONER WITHIN 5 DAYS OF  
24 RECEIPT OF THE NOTICE BY THE INDEPENDENT PUBLIC ACCOUNTANT.

25 SEC. 1017. (1) IN ADDITION TO THE ANNUAL AUDITED FINANCIAL  
26 REPORT, EACH INSURER SHALL FURNISH THE COMMISSIONER WITH A REPORT  
27 OF EVALUATION PERFORMED BY THE INDEPENDENT PUBLIC ACCOUNTANT, IN

1 CONNECTION WITH HIS OR HER EXAMINATION, OF THE INSURER'S  
2 ACCOUNTING PROCEDURES AND ITS SYSTEM OF INTERNAL CONTROL.

3 (2) A REPORT OF THE EVALUATION UNDER SUBSECTION (1) BY THE  
4 INDEPENDENT PUBLIC ACCOUNTANT OF THE INSURER'S ACCOUNTING PROCE-  
5 DURES AND ITS SYSTEM OF INTERNAL CONTROL, INCLUDING ANY REMEDIAL  
6 ACTION TAKEN OR PROPOSED, SHALL BE FILED ANNUALLY BY THE INSURER  
7 WITH THE COMMISSIONER WITHIN 60 DAYS AFTER THE FILING OF THE  
8 ANNUAL AUDITED FINANCIAL REPORT.

9 SEC. 1019. THE INDEPENDENT PUBLIC ACCOUNTANT SHALL FURNISH  
10 THE INSURER IN CONNECTION WITH, AND FOR INCLUSION IN, THE FILING  
11 OF THE ANNUAL AUDITED FINANCIAL REPORT, A LETTER STATING ALL OF  
12 THE FOLLOWING:

13 (A) THAT THE INDEPENDENT PUBLIC ACCOUNTANT IS INDEPENDENT OF  
14 THE INSURER AND CONFORMS TO THE STANDARDS OF HIS OR HER  
15 PROFESSION.

16 (B) THE GENERAL BACKGROUND AND EXPERIENCE AND THE EXPERIENCE  
17 IN INSURER AUDITS OF THE STAFF ASSIGNED TO THE ANNUAL AUDITED  
18 FINANCIAL REPORT AND WHETHER EACH IS AN INDEPENDENT PUBLIC  
19 ACCOUNTANT. NOTHING WITHIN THIS CHAPTER SHALL BE CONSTRUED AS  
20 PROHIBITING THE INDEPENDENT PUBLIC ACCOUNTANT FROM USING THE  
21 STAFF HE OR SHE CONSIDERS APPROPRIATE IF THE USE IS CONSISTENT  
22 WITH THE STANDARDS PRESCRIBED BY GENERALLY ACCEPTED AUDITING  
23 STANDARDS.

24 (C) THAT THE INDEPENDENT PUBLIC ACCOUNTANT UNDERSTANDS THE  
25 ANNUAL AUDITED FINANCIAL REPORT, AND HIS OR HER OPINION ON THE  
26 REPORT, WILL BE FILED IN COMPLIANCE WITH THIS CHAPTER, AND THAT  
27 THE COMMISSIONER WILL BE RELYING ON THIS INFORMATION IN THE

1 MONITORING AND REGULATION OF THE FINANCIAL POSITION OF THE  
2 INSURER.

3 (D) THAT THE INDEPENDENT PUBLIC ACCOUNTANT CONSENTS TO THE  
4 REQUIREMENTS OF SECTION 1021 AND THAT THE INDEPENDENT PUBLIC  
5 ACCOUNTANT CONSENTS AND AGREES TO MAKE AVAILABLE FOR REVIEW BY  
6 THE COMMISSIONER, HIS OR HER DESIGNEE, OR HIS OR HER APPOINTED  
7 AGENT, THE WORK PAPERS DESCRIBED IN SECTION 1021.

8 (E) A REPRESENTATION THAT THE INDEPENDENT PUBLIC ACCOUNTANT  
9 IS PROPERLY LICENSED BY AN APPROPRIATE STATE LICENSING AUTHORITY  
10 AND IS A MEMBER IN GOOD STANDING IN THE AMERICAN INSTITUTE OF  
11 CERTIFIED PUBLIC ACCOUNTANTS.

12 (F) A REPRESENTATION THAT THE INDEPENDENT PUBLIC ACCOUNTANT  
13 IS IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 1010.

14 SEC. 1021. (1) WORK PAPERS ARE THE RECORDS KEPT BY THE  
15 INDEPENDENT PUBLIC ACCOUNTANT OF THE PROCEDURES FOLLOWED, TESTS  
16 PERFORMED, INFORMATION OBTAINED, AND CONCLUSIONS REACHED PERTI-  
17 NENT TO HIS OR HER EXAMINATION OF THE INSURER'S FINANCIAL  
18 STATEMENTS. WORK PAPERS MAY INCLUDE WORK PROGRAMS, ANALYSES,  
19 MEMORANDA, LETTERS OF CONFIRMATION AND REPRESENTATION, ABSTRACTS  
20 OF COMPANY DOCUMENTS, AND SCHEDULES OR COMMENTARIES PREPARED OR  
21 OBTAINED BY THE INDEPENDENT PUBLIC ACCOUNTANT IN THE COURSE OF  
22 HIS OR HER EXAMINATION OF THE INSURER'S FINANCIAL STATEMENTS AND  
23 THAT SUPPORT HIS OR HER OPINION.

24 (2) EACH INSURER REQUIRED TO FILE AN AUDITED FINANCIAL  
25 REPORT PURSUANT TO THIS CHAPTER SHALL REQUIRE THE INDEPENDENT  
26 PUBLIC ACCOUNTANT TO MAKE AVAILABLE FOR REVIEW BY THE  
27 COMMISSIONER THE WORK PAPERS PREPARED IN THE CONDUCT OF HIS OR

1 HER EXAMINATION. THE INSURER SHALL REQUIRE THAT THE INDEPENDENT  
2 PUBLIC ACCOUNTANT RETAIN THE AUDIT WORK PAPERS FOR A PERIOD OF  
3 NOT LESS THAN 5 YEARS AFTER THE PERIOD REPORTED ON.

4 (3) IN A REVIEW BY THE COMMISSIONER UNDER SUBSECTION (2), IT  
5 SHALL BE AGREED THAT PHOTOCOPIES OF PERTINENT AUDIT WORK PAPERS  
6 MAY BE MADE AND RETAINED BY THE COMMISSIONER. A REVIEW BY THE  
7 COMMISSIONER UNDER SUBSECTION (2) SHALL BE CONSIDERED AN INVESTI-  
8 GATION AND ALL WORKING PAPERS OBTAINED DURING THE COURSE OF THE  
9 INVESTIGATION SHALL BE CONFIDENTIAL.

10 SEC. 1023. (1) UPON AN INSURER'S WRITTEN APPLICATION, THE  
11 COMMISSIONER MAY GRANT AN EXEMPTION FROM COMPLIANCE WITH THIS  
12 CHAPTER IF THE COMMISSIONER FINDS, UPON REVIEW OF THE APPLICA-  
13 TION, THAT COMPLIANCE WITH THIS CHAPTER WOULD CONSTITUTE A FINAN-  
14 CIAL OR ORGANIZATIONAL HARDSHIP UPON THE INSURER. AN EXEMPTION  
15 MAY BE GRANTED AT ANY TIME AND FROM TIME TO TIME FOR A SPECIFIED  
16 PERIOD OR PERIODS. WITHIN 10 DAYS FROM A DENIAL OF AN INSURER'S  
17 WRITTEN REQUEST FOR AN EXEMPTION FROM THIS CHAPTER, THE INSURER  
18 MAY REQUEST IN WRITING A HEARING ON ITS APPLICATION FOR AN  
19 EXEMPTION. THE HEARING SHALL BE HELD IN ACCORDANCE WITH THE  
20 ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF THE PUBLIC  
21 ACTS OF 1969, BEING SECTIONS 24.201 TO 24.328 OF THE MICHIGAN  
22 COMPILED LAWS.

23 (2) UPON AN INSURER'S WRITTEN APPLICATION, THE COMMISSIONER,  
24 FOR A SPECIFIED PERIOD OR PERIODS, MAY PERMIT AN INSURER TO FILE  
25 ANNUAL AUDITED FINANCIAL REPORTS ON SOME BASIS OTHER THAN A CAL-  
26 ENDAR YEAR BASIS. WITHIN 10 DAYS FROM A DENIAL OF SUCH A WRITTEN  
27 REQUEST, THE INSURER MAY REQUEST IN WRITING A HEARING ON ITS

1 APPLICATION. THE HEARING SHALL BE HELD IN ACCORDANCE WITH ACT  
2 NO. 306 OF THE PUBLIC ACTS OF 1969.

3 (3) DOMESTIC INSURERS RETAINING A CERTIFIED PUBLIC ACCOUN-  
4 TANT ON THE EFFECTIVE DATE OF THIS CHAPTER WHO QUALIFIES AS INDE-  
5 PENDENT SHALL COMPLY WITH THIS CHAPTER FOR THE YEAR ENDING  
6 DECEMBER 31, 1991 AND EACH YEAR THEREAFTER UNLESS THE COMMIS-  
7 SIONER PERMITS OTHERWISE.

8 (4) DOMESTIC INSURERS NOT RETAINING A CERTIFIED PUBLIC  
9 ACCOUNTANT ON THE EFFECTIVE DATE OF THIS CHAPTER WHO QUALIFIES AS  
10 INDEPENDENT SHALL MEET THE FOLLOWING SCHEDULE FOR COMPLIANCE  
11 UNLESS THE COMMISSIONER PERMITS OTHERWISE:

12 (A) AS OF DECEMBER 31, 1991, FILE WITH THE COMMISSIONER ALL  
13 OF THE FOLLOWING:

14 (i) REPORT OF INDEPENDENT PUBLIC ACCOUNTANT.

15 (ii) AUDITED BALANCE SHEET.

16 (iii) NOTES TO AUDITED BALANCE SHEET.

17 (B) FOR THE YEAR ENDING DECEMBER 31, 1992 AND EACH YEAR  
18 THEREAFTER, FILE WITH THE COMMISSIONER ALL REPORTS REQUIRED BY  
19 THIS CHAPTER.

20 (5) FOREIGN INSURERS SHALL COMPLY WITH THIS CHAPTER FOR THE  
21 YEAR ENDING DECEMBER 31, 1992 AND EACH YEAR THEREAFTER, UNLESS  
22 THE COMMISSIONER PERMITS OTHERWISE.

23 SEC. 1025. (1) FOR CANADIAN AND BRITISH INSURERS, THE  
24 ANNUAL AUDITED FINANCIAL REPORT IS THE ANNUAL STATEMENT OF TOTAL  
25 BUSINESS, ON THE FORM FILED BY THOSE COMPANIES WITH THEIR DOMI-  
26 CILIARY SUPERVISION AUTHORITY, AND DULY AUDITED BY AN INDEPENDENT  
27 CHARTERED ACCOUNTANT.

1       (2) FOR INSURERS LISTED IN SUBSECTION (1), THE INDEPENDENT  
2 PUBLIC ACCOUNTANT'S LETTER REQUIRED IN SECTION 1009 SHALL STATE  
3 THAT THE INDEPENDENT PUBLIC ACCOUNTANT IS AWARE OF THE REQUIRE-  
4 MENTS RELATING TO THE ANNUAL AUDITED STATEMENT FILED WITH THE  
5 COMMISSIONER PURSUANT TO SECTION 1005 AND SHALL AFFIRM THAT THE  
6 OPINION EXPRESSED IS IN CONFORMITY WITH THOSE REQUIREMENTS.