



NAIC SOX Developments

At a hearing in Atlanta on May 11th, the NAIC's (E) Committee considered several amendments to the Annual Financial Reporting Model Regulation (the "Model Audit Rule"). The most significant amendment raised the premium thresholds that trigger the independent audit committee requirements. The original draft required companies with \$100 million to \$300 million in annual direct written and assumed premiums to have an audit committee comprised of a majority of independent board members and those companies with annual premium over \$300 million to have an audit committee comprised of a supermajority (75%) of independent board members. As amended, the annual premium thresholds are now \$300 million to \$500 million for a majority of independent audit committee members and over \$500 million for a supermajority of independent audit committee members. Under the revised amendments, insurers with under \$300 million in annual premiums would no longer be required to have independent directors on their audit committee.

In addition, the (E) Committee also voted to extend the compliance date to begin in 2010, with reporting in 2011 and to index the \$500 million threshold for internal accounting controls, although the exact index is undecided. Several other amendments were also considered, but these amendments were generally stylistic or technical in nature.

At the May 11th hearing, the (E) Committee postponed final adoption of the Model Audit Rule pending incorporation of the amendments. On a conference call held May 18th, the (E) Committee adopted the amendments and forwarded them to the Executive Committee of the NAIC for consideration. If you would like a copy of the current draft of the proposed Rule, please call or email Chris or Ward (see contact information below).

In related news, the NAIC has released a draft version of the Implementation Guide for the Annual Financial Reporting Model Regulation. Please call or email Chris or Ward (see contact information below) if you would like a copy of the draft version of the Implementation Guide. The Title IV Subgroup of NAIC/AICPA Working Group met last week to discuss the draft guidelines. A revised draft is expected by June 7th. Please let us know if you would like to be kept apprised of the developments concerning the Implementation Guide.

If you have any questions regarding the amendments to the Model Audit Rule or the draft Implementation Guide, please feel free to contact Chris Petersen or Ward Bondurant at the addresses below.