

BEFORE THE COMMISSIONER OF INSURANCE

STATE OF GEORGIA

IN THE MATTER OF:

**REGULATION 120-2-60
CPA Audited Financial Reports**

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DOCKET NUMBER I-15-I-4

ORDER

I. STATEMENT OF PROCEEDINGS

On April 30, 2015, Notice of Intent to Adopt Rule Changes and Notice of Hearing was given regarding the repeal of Regulation Chapter 120-2-60 entitled “CPA Annual Audited Financial Reports” and the proposed adoption of a new Regulation Chapter 120-2-60 with the same title. (Record, Exhibit 1) The purpose of the proposed regulatory action is to update the rules and regulations of the Office of the Insurance and Safety Fire Commissioner (the “Office”) to incorporate an NAIC Model Audit Regulation.

By letter dated May 19, 2015, the Office of the Attorney General opined that the proposed Regulation is within the Commissioner’s scope of authority. (Record, Exhibit 5) Pursuant to O.C.G.A. Section 50-13-4(e), the proposed Regulation was transmitted to Wayne R. Allen, Legislative Counsel for the General Assembly, for assignment to the appropriate standing committees of the Senate and House of Representatives. (Record, Exhibit 6) The proposed Regulation was assigned accordingly. (Record, Exhibit 7)

II. CONSIDERATION OF ALL COMMENTS OFFERED AT THE HEARING

Interested persons were given the opportunity to participate in the proposed rulemaking by submitting their written comments to this Office by June 5, 2015, and by making oral

comments at the public hearing held June 10, 2015. No written comments were offered. Trey Sivley, Director of the Insurance Financial Oversight Division of this Office, was the only person to offer oral comments at the hearing. (Record, pp. 7-9 of Transcript.)

According to Mr. Sivley, the proposed changes to the Office's regulations are based upon the NAIC Model Regulation #205. The Model Regulation is an accreditation standard. Therefore, it needs to be adopted or this Office faces the possibility of losing accreditation. The key change is that an internal audit function requirement is being placed on insurers having more than 500 million in direct written premium or insurance groups with over a billion in direct written premiums. Mr. Sivley recommends that the Commissioner adopt the proposed Regulation.

III. DECISION

WHEREAS, the Commissioner finds persuasive the comments offered by Mr. Sivley in support of the proposed Regulation, and **WHEREAS**, no comments were offered in opposition, **IT IS HEREBY ORDERED** that Regulation Chapter 120-2-60 entitled "CPA Annual Audited Financial Reports" is **REPEALED** and the proposed new Regulation Chapter 120-2-60 entitled the same is **HEREBY ADOPTED**. A copy of the new Regulation is attached hereto and made a part by reference.

Given under my Hand and Seal this 25th day of June, 2015.



RALPH T. HUDGENS
INSURANCE AND SAFETY FIRE COMMISSIONER
STATE OF GEORGIA

