CONCISE EXPLANATORY STATEMENT

Insurance Regulation 87 – Annual Financial Reporting

The Department of Business Regulation (“Department”) hereby adopts amendments to Insurance Regulation 87 – Annual Financial Reporting effective April 15, 2009 and makes this statement in accordance with R.I. Gen. Laws § 42-35-2.3. The Department makes these amendments in order update the regulation in accordance with the current National Association of Insurance Commissioners model upon which it is based. The purpose of the regulation is to improve the Rhode Island Insurance Division's surveillance of the financial condition of insurers by requiring (1) an annual audit of financial statements reporting the financial position and the results of operations of insurers by independent certified public accountants, (2) Communication of Internal Control Related Matters Noted in an Audit, and (3) Management’s Report of Internal Control over Financial Reporting. There are three differences between the text of the proposed rule as published in accordance with R.I. Gen. Laws § 42-35-3 and the rule as adopted. Those differences are:

1. Section 17(B) the year 1996 has been changed to 2010.
2. Section 17(D) the word “and” has been changed to “an.”
3. Section 17(G) a parentheses has been added to the first and second lines.

Comments made at the hearing with regard to one section was considered and rejected. That section is:

A commenter requested the addition of language to section 4(D) to mirror the exemption language of section 14. The Department rejected this suggestion because it is the intent of the regulation that SOX compliant entities must comply with Section 14(E). The National Association of Insurance Commissioners has drafted proposed language to the Implementation Guide for the Annual Financial Reporting Model Regulation that will clarify that SOX Compliant Entities must comply with Section 14(E).