

## HB 777 -- Financial Reports by Certain Insurers

Sponsor: Yates

This bill changes the laws regarding audited financial reports for certain insurers. In its main provisions, the bill:

- (1) Exempts insurers with less than \$1 million in direct premiums written in Missouri and less than 1,000 policy or certificate holders nationwide in a calendar year from the financial report auditing requirements unless the Director of the Department of Insurance, Financial Institutions and Professional Registration finds that the audit is necessary;
- (2) Exempts foreign or alien insurers from filing a report of internal control over financial reporting when the insurer has filed a substantially similar report in another state;
- (3) Specifies that a similar 30-day extension is granted for the filing of the management's report of internal control over financial reporting when insurers have been granted an extension of the June 1 filing date for audit reports;
- (4) Requires certain insurers to designate a group of individuals as its audit committee;
- (5) Changes the content requirements for the financial report;
- (6) Adds several provisions regarding the qualifications of certified public accountants for insurers' annual audited financial reports;
- (7) Specifies that insurers can apply, in writing, to the department director for permission to file audited combined financial statements in certain situations;
- (8) Removes the statement of liability insurance coverage from the required contents of the accountant's letter;
- (9) Requires the accountant to have an understanding of the internal control of the insurer to plan the audit;
- (10) Requires insurers to provide the department director with a written communication of any unresolved material weaknesses in its internal control over financial reporting noted during the audit and the completed or proposed actions to correct them, unless the actions have been described in the accountant's communication;
- (11) Establishes the membership requirements and functions of

audit committees;

(12) Specifies that false or misleading statements to an accountant in connection with any audit, review, or required communication will be considered a level three violation under Section 374.049, RSMo; and

(13) Requires certain insurers to file a report of internal control over financial reporting and establishes the requirements for these reports.