

# Audited Financial Report/Accountants Letter of Qualifications

NOTE--All foreign and alien companies and accredited reinsurers that file their annual audited financial report and accountant's letter of qualifications with the NAIC are exempt from filing a hard copy of these items with this Office. These filings should be submitted to the NAIC via electronic media in accordance with due dates established by the NAIC

1. An annual **AUDITED FINANCIAL REPORT** must be prepared by an accountant as described in 14 VAC 5-270. An insurer having fewer than 1,000 policyholders or certificateholders and less than \$1 million in direct written premiums IN ALL STATES as of the annual statement date is exempt, but must complete and return the AUDITED FINANCIAL REPORTS EXEMPTION AFFIDAVIT [\[R03\]](#) TO THE BUREAU OF INSURANCE on or before March 1. An insurer having assumed premiums of \$1 million or more pursuant to contracts and/or treaties of reinsurance is NOT exempt.

A consolidated or combined annual Audited Financial Report will be accepted ONLY WITH PRIOR WRITTEN APPROVAL FROM VIRGINIA for DOMESTIC insurers which are part of a group of insurance companies utilizing a pooling or one hundred percent reinsurance agreement in which the insurer cedes all of its direct or assumed business to the pool. IF APPROVAL IS GRANTED, A SEPARATE COPY OF THE CONSOLIDATED REPORT MUST BE FILED FOR EACH COMPANY LICENSED IN VIRGINIA.

Insurers are reminded that the five year rotation requirement found in 14 VAC 5-270-80 D became effective in 2010. Please refer to Administrative Letter 2009-07 for guidance.

2. An **ACCOUNTANT'S LETTER OF QUALIFICATIONS**, as required by 14 VAC 5-270-130, must be furnished in connection with, and for inclusion in, the filing of the annual Audited Financial Report. This letter must disclose the number of years the engagement partner (partner responsible for rendering an annual audited financial report) has served in that capacity with respect to the company in accordance with Administrative Letter 2009-07.

## **Applicable to Trusted Reinsurers only.**

An annual **AUDITED FINANCIAL REPORT** by an accountant is required to be filed with the Virginia State Corporation Commission, Bureau of Insurance.

## **Applicable to Risk Retention Groups only.**

Risk retention groups are required to file their annual **AUDITED FINANCIAL REPORT** with the NAIC instead of the Virginia State Corporation Commission, Bureau of Insurance.