



**STATE OF NEW YORK
INSURANCE DEPARTMENT**
25 BEAVER STREET
NEW YORK, NEW YORK 10004

**Circular Letter No. 7 (2002)
February 21, 2002**

TO: All Authorized Insurers, Fraternal Benefit Societies, Public Health Law Article 44 HMOs and the State Insurance Fund (hereinafter referred to as "insurers")

RE: Disclosure of Consulting Work Performed by Independent Certified Public Accountant Engaged to Provide an Opinion on Annual Financial Statement

STATUTORY REFERENCE: Section 308 of the NY Insurance Law

BACKGROUND - The bankruptcy of Enron Corp. has highlighted the potential conflict of interest that arises when the independent certified public accountant ("CPA") engaged by a company to audit its financial statement is also providing consulting work for that entity. In order to better increase awareness of the extent of this potential conflict in the relationships between an insurer regulated by the New York Insurance Department (the "Department") and its CPA, the Department is requiring disclosure of fees incurred during the 2001 calendar year for all services performed by the CPA, or any affiliate of such CPA ("CPA related entities"), engaged by the insurer to audit its financial statement.

REQUEST - Pursuant to the provisions of Section 308 of the New York Insurance Law, it is directed that all insurers file information pertaining to fees incurred as a result of services performed by the insurer's CPA. The format of the filing will be placed on the Department's website in the next few days and can be downloaded from that site. The details of this disclosure follow:

- **Where to File** – the report is to be filed electronically as an attachment to an e-mail directed to an e-mail address that will be included in the instructions to the disclosure form. No hard copy of the filing will be required.
- **When to File** – the disclosure should be filed by April 1, 2002.
- **Who Should File** – all insurers that this Circular Letter is addressed to above. However, the filing shall be made on a group basis; if an insurer is a member of a holding company system, the ultimate holding company parent of any insurer shall file the disclosure on behalf of all the insurers in the holding company system. If a holding company system has multiple licensed insurers, only one disclosure need be filed.
- **What to File** – an Excel spreadsheet* to capture the information is being developed and will be placed on the Department's website (www.ins.state.ny.us) in the very near future. Check the "Latest Updates" section of the website for the form, which can be downloaded and used to submit the information requested.

The insurer or, if applicable, the ultimate holding company parent submitting the filing shall report the fees incurred for services provided by the CPA or by CPA related entities to: (1) the insurer(s) in the ultimate holding company system; and (2) other members in the insurer's holding company system. The insurer in the ultimate holding company system is limited to insurers to whom this Circular Letter

is addressed; fees for services provided to other insurers in the holding company system but not subject to this Circular Letter should be included in the "other members..." category.

Various categories of services that a CPA can perform will be outlined in the report, as follows:

- Annual Audit Services
- Internal Audit Outsourcing or Co-sourcing
- Actuarial Services
- Information Technology Services
- Tax Services
- Loan Staff Arrangements
- Other Consulting Projects

Any fees for services provided by the CPA or CPA related entity shall be disclosed in one of the categories above. Guidance on these categories will be included in the disclosure form.

If fees incurred by the insurer are based upon an allocation by the holding company, the report will provide for the amount allocated to the insurer(s), the amount allocated to other members in the holding company system and the total amount incurred by the holding company system.

Since the disclosure pertains to the CPA firm engaged by the insurer to audit its financial statement, at a minimum the fees for the annual audit should be disclosed.

There will be a "Comment" section in which any comments/explanations relative to the disclosure can be reported.

- **Questions** - any questions on this request can be directed to the appropriate regulatory Bureau:

Property Bureau:	Jody Wald 212 480-5151	jwald@ins.state.ny.us
Life Bureau:	Lawrence Weil 212 480-4767	lweil@ins.state.ny.us
Health Bureau:	Daniel Sheridan 212 480-6093	dsherida@ins.state.ny.us

Very truly yours,

Michael Moriarty
Director
Capital Markets Bureau

***Required Forms (Excel SpreadSheets):**

[Disclosure Form](#)
[Instructions](#)