

An Act

ENROLLED HOUSE
BILL NO. 2190

By: Sims of the House

and

Paxton of the Senate

An Act relating to the Oklahoma Annual Financial Report Act; amending 36 O.S. 2011, Sections 311A.1, 311A.2 and 311A.3, which relate to short title and definitions; updating statutory cites; modifying definition; defining term; amending 36 O.S. 2011, Sections 311A.9, 311A.11, 311A.12 and 311A.14, which relate to audit committee; providing for oversight and authority; creating exemptions; providing internal audit function requirements; amending 36 O.S. 2011, Sections 311A.16, 311A.17 and 311A.18, which relate to exemptions from compliance; eliminating obsolete language; providing compliance deadline; providing for codification; and providing an effective date.

SUBJECT: Oklahoma Annual Financial Report Act

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 36 O.S. 2011, Section 311A.1, is amended to read as follows:

Section 311A.1 ~~Sections 3 through 20 of this act~~ 311A.1 through 311A.18 of this title shall be known as and may be cited as the "Oklahoma Annual Financial Report Act".

SECTION 2. AMENDATORY 36 O.S. 2011, Section 311A.2, is amended to read as follows:

Section 311A.2 A. The purpose of the Oklahoma Annual Financial Report Act is to improve the surveillance of the Insurance Commissioner over 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.

B. Every insurer as defined in Section ~~5 of this act~~ 311A.3 of this title shall be subject to the Oklahoma Annual Financial Report Act. Insurers having direct premiums written in this state of less than One Million Dollars (\$1,000,000.00) in any calendar year and less than one thousand policy holders or certificate holders of direct written policies nationwide at the end of the calendar year shall be exempt from the Oklahoma Annual Financial Report Act for the year unless the Commissioner makes a specific finding that compliance is necessary for the Commissioner to carry out statutory responsibilities. Insurers having assumed premiums pursuant to contracts and treaties of reinsurance of One Million Dollars (\$1,000,000.00) or more will not be so exempt.

C. Foreign or alien insurers filing the audited financial reports in another state, pursuant to the requirement of that state for filing of audited financial reports, which has been found by the Commissioner to be substantially similar to the requirements of the Oklahoma Annual Financial Report Act, are exempt from Sections ~~6 through 15 of this act~~ 311A.4 through 311A.13 of this title if:

1. A copy of the audited financial report, Communication of Internal Control Related Matters Noted in an Audit, and the Accountant's Letter of Qualifications that are filed with the other state are filed with the Commissioner in accordance with the filing dates specified in Sections ~~6, 13 and 14 of this act~~ 311A.4, 311A.11 and 311A.12 of this title, respectively. Canadian insurers may submit accountants' reports as filed with the Office of the Superintendent of Financial Institutions, Canada; and

2. A copy of any Notification of Adverse Financial Condition Report filed with the other state is filed with the Commissioner

within the time specified in Section ~~12 of this act~~ 311A.10 of this title.

D. Foreign or alien insurers required to file Management's Report of Internal Control over Financial Reporting in another state are exempt from filing the Report in this state provided the other state has substantially similar reporting requirements as determined by the Commissioner and the Report is filed with the Commissioner of the other state within the time specified.

E. The Oklahoma Annual Financial Report Act shall not prohibit, preclude, or in any way limit the Commissioner from ordering or conducting or performing examinations of insurers under the rules of the Insurance Department and the practices and procedures of the Insurance Department.

SECTION 3. AMENDATORY 36 O.S. 2011, Section 311A.3, is amended to read as follows:

Section 311A.3 As used in the Oklahoma Annual Financial Report Act:

1. "Accountant" or "independent certified public accountant" means an independent certified public accountant or accounting firm in good standing with the American Institute of Certified Public Accounts (AICPA), and in all states in which the accountant is licensed to practice and for Canadian and British companies, it means a Canadian-chartered or British-chartered accountant;

2. An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified;

3. "Audit committee" means a committee or equivalent body established by the board of directors of an entity for the purpose of overseeing the accounting and financial reporting processes of an insurer or group of insurers, the internal audit function of an insurer or group of insurers, if applicable, and external audits of financial statements of the insurer or group of insurers, and audits of financial statements of the insurer or group of insurers. The audit committee of any entity that controls a group of insurers may be deemed to be the audit committee for one or more of these controlled insurers solely for the purposes of the Oklahoma Annual Financial Report Act at the election of the controlling person. The

exercise of this election shall be pursuant to subsection ~~F~~ G of Section ~~16 of this act~~ 311A.14 of this title. If an audit committee is not designated by the insurer, the entire board of directors of the insurer shall constitute the audit committee;

4. "Audited financial report" means and includes those items specified in Section ~~7 of this act~~ 311A.5 of this title;

5. "Indemnification" means an agreement of indemnity or a release from liability where the intent or effect is to shift or limit in any manner the potential liability of the person or firm for failure to adhere to applicable auditing or professional standards, whether or not resulting in part from knowing of other misrepresentations made by the insurer or its representatives;

6. "Independent board member" has the same meaning as described in subsection ~~D E~~ E of Section ~~16 of this act~~ 311A.14 of this title;

7. "Insurer" means a licensed insurer as defined in Section 103 of ~~Title 36 of the Oklahoma Statutes~~ this title. For purposes of the Oklahoma Annual Financial Report Act, insurer includes but is not limited to fraternal benefit societies, health maintenance organizations, multiple employer welfare arrangements, title insurers, and similar organizations licensed by the Insurance Commissioner;

8. "Group of insurers" means those licensed insurers included in the reporting requirements of Article 16A of the Oklahoma Insurance Code, or a set of insurers as identified by management, for the purpose of assessing the effectiveness of internal control over financial reporting;

9. "Internal audit function" means a person or persons that provide independent, objective and reasonable assurance designed to add value and improve an organization's operations and accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes;

10. "Internal control over financial reporting" means a process effected by the board of directors, management, and other personnel of an entity designed to provide reasonable assurance regarding the reliability of the financial statements, i.e., those items specified in paragraphs 2 through 7 of subsection B of Section ~~7 of this act~~

311A.5 of this title and includes those policies and procedures that:

- a. pertain to the maintenance of records that, in reasonable detail and accurately, fairly reflect the transactions and dispositions of assets,
- b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements, i.e., those items specified in paragraphs 2 through 7 of subsection B of Section ~~7 of this act~~ 311A.5 of this title and that receipts and expenditures are being made only in accordance with authorizations of management and directors, and
- c. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements, i.e., those items specified in paragraphs 2 through 7 of subsection B of Section ~~7 of this act~~ 311A.5 of this title;

~~10.~~ 11. "SEC" means the United States Securities and Exchange Commission;

~~11.~~ 12. "Section 404" means Section 404 of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC promulgated thereunder;

~~12.~~ 13. "Section 404 Report" means the report on internal control over financial reporting of management as defined by the SEC and the related attestation report of the independent certified public accountant; and

~~13.~~ 14. "SOX Compliant Entity" means an entity that either is required to be compliant with, or voluntarily is compliant with, all of the following provisions of the Sarbanes-Oxley Act of 2002:

- a. the preapproval requirements of Section 201 (Section 10A(i) of the Securities Exchange Act of 1934),
- b. the audit committee independence requirements of Section 301 (Section 10A(m) (3) of the Securities Exchange Act of 1934), and

- c. the internal control over financial reporting requirements of Section 404 (Item 308 of SEC Regulation S-K).

SECTION 4. AMENDATORY 36 O.S. 2011, Section 311A.9, is amended to read as follows:

Section 311A.9 Financial statements furnished pursuant to ~~Section 7 of this act~~ 311A.5 of this title shall be examined by the independent certified public accountant. The audit of the financial statements of the insurer shall be conducted in accordance with generally accepted auditing standards. In accordance with AU Section 319 of the Professional Standards of the AICPA, Consideration of Internal Control in a Financial Statement Audit, the independent certified public accountant should obtain an understanding of internal control sufficient to plan the audit. To the extent required by AU 319, for those insurers required to file a Management's Report of Internal Control over Financial Reporting pursuant to ~~Section 18 of this act~~ 311A.16 of this title, the independent certified public accountant should consider, as that term is defined in Statement on Auditing Standards (SAS) No. 102, Defining Professional Requirements in Statements on Auditing Standards or its replacement, the most recently available report in planning and performing the audit of the statutory financial statements. Consideration shall be given to the procedures illustrated in the Financial Condition Examiners Handbook promulgated by the National Association of Insurance Commissioners as the independent certified public accountant deems necessary.

SECTION 5. AMENDATORY 36 O.S. 2011, Section 311A.11, is amended to read as follows:

Section 311A.11 A. In addition to the annual audited financial report, each insurer shall furnish the Insurance Commissioner with a written communication as to any unremediated material weaknesses in its internal controls over financial reporting noted during the audit. Such communication shall be prepared by the accountant within sixty (60) days after the filing of the annual audited financial report, and shall contain a description of any unremediated material weakness, as the term material weakness is defined by Statement on Auditing Standard 60, Communication of Internal Control Related Matters Noted in an Audit, or its replacement, as of December 31 immediately preceding, so as to coincide with the audited financial report discussed in subsection A of ~~Section 4 of this act~~ 311A.2 of this title in the internal

control over financial reporting of the insurer noted by the accountant during the course of their audit of the financial statements. If no unremediated material weaknesses were noted, the communication should so state.

B. The insurer is required to provide a description of remedial actions taken or proposed to correct unremediated material weaknesses if the actions are not described in the communication of the accountant.

SECTION 6. AMENDATORY 36 O.S. 2011, Section 311A.12, is amended to read as follows:

Section 311A.12 The accountant shall furnish the insurer in connection with, and for inclusion in, the filing of the annual audited financial report, a letter stating:

1. That the accountant is independent with respect to the insurer and conforms to the standards of the profession as contained in the Code of Professional Ethics and pronouncements of the AICPA American Institute of Certified Public Accountants (AICPA) and the Rules of Professional Conduct of the Oklahoma Board of Public Accountancy, or similar code;

2. The background and experience in general, and the experience in audits of insurers of the staff assigned to the engagement and whether each is an independent certified public accountant. Nothing within the Oklahoma Annual Financial Report Act shall be construed as prohibiting the accountant from utilizing such staff as the accountant deems appropriate where use is consistent with the standards prescribed by generally accepted auditing standards;

3. That the accountant understands the annual audited financial report and the opinion of the accountant thereon will be filed in compliance with the Oklahoma Annual Financial Report Act and that the Insurance Commissioner will be relying on this information in the monitoring and regulation of the financial position of insurers;

4. That the accountant consents to the requirements of Section ~~15 of this act~~ 311A.13 of this title and that the accountant consents and agrees to make available for review by the Commissioner the work papers, as defined in Section ~~15 of this act~~ 311A.13 of this title;

5. A representation that the accountant is properly licensed by an appropriate state licensing authority and is a member in good standing in the AICPA; and

6. A representation that the accountant is in compliance with the requirements of Section ~~9 of this act~~ 311A.7 of this title.

SECTION 7. AMENDATORY 36 O.S. 2011, Section 311A.14, is amended to read as follows:

Section 311A.14 A. This section shall not apply to foreign or alien insurers licensed in this state or an insurer that is a SOX Compliant Entity or a direct or indirect wholly-owned subsidiary of a SOX Compliant Entity.

B. The audit committee shall be directly responsible for the appointment, compensation, and oversight of the work of any accountant, including resolution of disagreements between management and the accountant regarding financial reporting, for the purpose of preparing or issuing the audited financial report or related work pursuant to the Oklahoma Annual Financial Report Act. Each accountant shall report directly to the audit committee.

C. The audit committee of an insurer or group of insurers shall be responsible for overseeing the insurer's internal audit function and granting the person or persons performing the function suitable authority and resources to fulfill their responsibilities if required by Section 311A.14 of this title.

D. Each member of the audit committee shall be a member of the board of directors of the insurer or a member of the board of directors of an entity elected pursuant to subsection ~~F~~ G of this section and paragraph 3 of Section ~~5~~ 311A.3 of this ~~act~~ title.

~~D.~~ E. In order to be considered independent for purposes of this section, a member of the audit committee may not, other than in the capacity as a member of the audit committee, the board of directors, or any other board committee, accept any consulting, advisory, or other compensatory fee from the entity or be an affiliated person of the entity or subsidiary thereof. However, if law requires board participation by otherwise non-independent members, that law shall prevail and such members may participate in the audit committee and be designated as independent for audit committee purposes, unless they are an officer or employee of the insurer or one of its affiliates.

~~E.~~ F. If a member of the audit committee ceases to be independent for reasons outside the reasonable control of the member, that person, with notice by the responsible entity to the state, may remain an audit committee member of the responsible entity until the earlier of the next annual meeting of the responsible entity or one (1) year from the occurrence of the event that caused the member to be no longer independent.

~~F.~~ G. To exercise the election of the controlling person to designate the audit committee for purposes of the Oklahoma Annual Finance Report Act, the ultimate controlling person shall provide written notice to the Insurance Commissioner of the affected insurers. Notification shall be made timely prior to the issuance of the statutory audit report and include a description of the basis for the election. The election can be changed through notice to the Commissioner by the insurer, which shall include a description of the basis for the change. The election shall remain in effect for perpetuity, until rescinded.

~~G.~~ H. 1. The audit committee shall require the accountant that performs for an insurer any audit required by the Oklahoma Annual Financial Report Act to timely report to the audit committee in accordance with the requirements of SAS 61, Communication with Audit Committees, or its replacement, including:

- a. all significant accounting policies and material permitted practices,
- b. all material alternative treatments of financial information within statutory accounting principles that have been discussed with management officials of the insurer, ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the accountant, and
- c. other material written communications between the accountant and the management of the insurer, such as any management or schedule of unadjusted differences~~†.~~

2. If an insurer is a member of an insurance holding company system, the reports required by paragraph 1 of this subsection may be provided to the audit committee on an aggregate basis for insurers in the holding company system, provided that any

substantial differences among insurers in the system are identified to the audit committee.

~~H.~~ I. The proportion of independent audit committee members shall meet or exceed the following criteria set out in paragraphs 1, 2 and 3 of this subsection:

1. No Minimum Requirements. There are no minimum requirements for insurers with prior calendar year direct written and assumed premiums of Three Hundred Million Dollars (\$300,000,000.00) or less;

2. Majority of Members. Fifty percent (50%) or more of members of the independent audit committee for insurers with prior calendar year direct written and assumed premiums of between Three Hundred Million Dollars (\$300,000,000.00) and Five Hundred Million Dollars (\$500,000,000.00); or

3. Supermajority of Members. Seventy-five percent (75%) or more of members of the independent audit committee for insurers with prior calendar year direct written and assumed premiums of over Five Hundred Million Dollars (\$500,000,000.00).

~~I.~~ J. The Commissioner may require improvements to the independence of the audit committee membership of any insurer if the insurer is in a RBC action level event, meets one or more of the standards of an insurer deemed to be in hazardous financial condition, or otherwise exhibits qualities of a troubled insurer.

~~J.~~ K. For purposes of this section, prior calendar year direct written and assumed premiums shall be the combined total of direct premiums and assumed premiums from non-affiliates for the reporting entities.

~~K.~~ L. An insurer with direct written and assumed premium, excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, of less than Five Hundred Million Dollars (\$500,000,000.00) may make application to the Commissioner for a waiver from the requirements of this section based upon hardship. The insurer shall file, with its annual statement filing, the approval for relief from this section with the states that it is licensed in or doing business in and the ~~NAIC~~ National Association of Insurance Commissioners (NAIC). If the nondomestic state accepts electronic filing with the NAIC, the insurer shall file the approval in an electronic format acceptable to the NAIC.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 311A.14.1 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Exemption - An insurer is exempt from the requirements of this section if:

1. The insurer has annual direct written and unaffiliated assumed premium, including international direct and assumed premium, but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program less than Five Hundred Million Dollars (\$500,000,000.00); or

2. If the insurer is a member of a group of insurers that has annual direct written and unaffiliated assumed premium, including international direct and assumed premium, but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, less than One Billion Dollars (\$1,000,000,000.00).

B. Function - The insurer or group of insurers shall establish an internal audit function providing independent, objective and reasonable assurance to the audit committee and insurer management regarding the insurer's governance, risk management and internal controls. This assurance shall be provided by performing general and specific audits, reviews and tests and by employing other techniques deemed necessary to protect assets, evaluate control effectiveness and efficiency and evaluate compliance with policies and regulations.

C. Independence - In order to ensure that internal auditors remain objective, the internal audit function must be organizationally independent. Specifically, the internal audit function will not defer ultimate judgment on audit matters to others, and shall appoint an individual to head the internal audit function who will have direct and unrestricted access to the board of directors. Organizational independence does not preclude dual-reporting relationships.

D. Reporting - The head of the internal audit function shall report to the audit committee regularly, but no less than annually, on the periodic audit plan, factors that may adversely impact the internal audit function's independence or effectiveness, material findings from completed audits and the appropriateness of corrective actions implemented by management as a result of audit findings.

E. Additional Requirements - If an insurer is a member of an insurance holding company system or included in a group of insurers, the insurer may satisfy the internal audit function requirements set forth in this section at the ultimate controlling parent level, an intermediate holding company level or the individual legal entity level.

F. Upon written request and with good cause shown, the Insurance Commissioner may grant an exemption from the internal audit function.

SECTION 9. AMENDATORY 36 O.S. 2011, Section 311A.16, is amended to read as follows:

Section 311A.16 A. Every insurer required to file an audited financial report pursuant to the Oklahoma Annual Financial Report Act that has annual direct written and assumed premiums, excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, of Five Hundred Million Dollars (\$500,000,000.00) or more shall prepare a report of the insurer's or group of insurers' internal control over financial reporting. The report shall be filed with the Insurance Commissioner along with the Communication of Internal Control Related Matters Noted in an Audit described under ~~Section 13 of this act~~ 311A.11 of this title. Management's Report of Internal Control over Financial Reporting shall be as of December 31 immediately preceding.

B. Notwithstanding the premium threshold in subsection A of this section, the Commissioner may require an insurer to file Management's Report of Internal Control over Financial Reporting if the insurer is in any RBC level event, or meets any one or more of the standards of an insurer deemed to be in hazardous financial condition.

C. An insurer or a group of insurers that is:

1. Directly subject to Section 404;
2. Part of a holding company system whose parent is directly subject to Section 404;
3. Not directly subject to Section 404 but is a SOX Compliant Entity; or

4. A member of a holding company system whose parent is not directly subject to Section 404 but is a SOX Compliant Entity,

may file its or its parent's Section 404 Report and an addendum in satisfaction of the requirements of this section provided that those internal controls of the insurer or group of insurers' audited statutory financial statements included in paragraphs 2 through 7 of subsection B of Section ~~7 of this act~~ 311A.5 of this title were included in the scope of the Section 404 Report. The addendum shall be a positive statement by management that there are no material processes with respect to the preparation of the insurer's or group of insurers' audited statutory financial statements included in paragraphs 2 through 7 of subsection B of Section ~~7 of this act~~ 311A.5 of this title excluded from the Section 404 Report. If there are internal controls of the insurer or group of insurers that have a material impact on the preparation of the insurer's or group of insurers' audited statutory financial statements and those internal controls were not included in the scope of the Section 404 Report, the insurer or group of insurers may either file a report pursuant to this section or the Section 404 Report and a report pursuant to this section for those internal controls that have a material impact on the preparation of the insurer's or group of insurers' audited statutory financial statements not covered by the Section 404 Report.

D. Management's Report of Internal Control over Financial Reporting shall include:

1. A statement that management is responsible for establishing and maintaining adequate internal control over financial reporting;

2. A statement that management has established internal control over financial reporting and an assertion, to the best of the knowledge and belief of management, after diligent inquiry, as to whether its internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial statements in accordance with statutory accounting principles;

3. A statement that briefly describes the approach or processes by which management evaluated the effectiveness of its internal control over financial reporting;

4. A statement that briefly describes the scope of work that is included and whether any internal controls were excluded;

5. Disclosure of any unremediated material weaknesses in the internal control over financial reporting identified by management as of December 31 immediately preceding. Management is not permitted to conclude that the internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial statements in accordance with statutory accounting principles if there is one or more unremediated material weaknesses in its internal control over financial reporting;

6. A statement regarding the inherent limitations of internal control systems; and

7. Signatures of the chief executive officer and the chief financial officer or equivalent positions or titles.

E. Management shall document and make available upon financial condition examination the basis upon which its assertions, required in subsection D of this section, are made. Management may base its assertions, in part, upon its review, monitoring, and testing of internal controls undertaken in the normal course of its activities.

1. Management shall have discretion as to the nature of the internal control framework used, and the nature and extent of documentation, in order to make its assertion in a cost-effective manner and, as such, may include assembly of or reference to existing documentation.

2. Management's Report of Internal Control over Financial Reporting, required by subsection A of this section and any documentation provided in support thereof during the course of a financial condition examination, shall be kept confidential by the Insurance Department.

SECTION 10. AMENDATORY 36 O.S. 2011, Section 311A.17, is amended to read as follows:

Section 311A.17 A. Upon written application of any insurer, the Insurance Commissioner may grant an exemption from compliance with any and all provisions of the Oklahoma Annual Financial Report Act if the Commissioner finds, upon review of the application, that compliance with the Oklahoma Annual Financial Report Act would constitute a financial or organizational hardship upon the insurer. An exemption may be granted at any time and from time to time for a specified period or periods. Within ten (10) days from a denial of

the written request of an insurer for an exemption from the Oklahoma Annual Financial Report Act, the insurer may request in writing a hearing on its application for an exemption. The hearing shall be held in accordance with the Administrative Procedures Act and the laws and rules of the Insurance Department.

B. Domestic insurers retaining a certified public accountant who qualify as independent ~~on the effective date of the Oklahoma Annual Financial Report Act~~ shall comply with the Oklahoma Annual Financial Report Act ~~for the year ending December 31, 2010, and each year thereafter~~ unless the Commissioner permits otherwise.

C. Domestic insurers not retaining a certified public accountant on the effective date of the Oklahoma Annual Financial Report Act who qualifies as independent may meet the following schedule for compliance unless the Commissioner permits otherwise:

1. ~~As of December 31, 2010, file~~ File with the Commissioner an audited financial report; and

2. ~~For the year ending December 31, 2010, and each~~ Each year ~~thereafter,~~ such insurers shall file with the Commissioner all reports and communication required by the Oklahoma Annual Financial Report Act.

D. Foreign insurers shall comply with the Oklahoma Annual Financial Report Act ~~for the year ending December 31, 2010, and each year thereafter,~~ unless the Commissioner permits otherwise.

E. The requirements of subsection D of Section 311A.7 of this title shall be in effect for audits of ~~the~~ each year ~~beginning~~ January 1, 2010, and thereafter.

F. ~~The requirements of Section 311A.14 of this title are to be in effect January 1, 2010. An insurer or group of insurers that is, not required to have independent audit committee members or only required to have a majority of independent audit committee members, as opposed to a supermajority, because due to the total written and assumed premium is being below the threshold and subsequently becomes subject to one of the independence requirements due to changes in premium,~~ shall have one (1) year following the year the threshold is exceeded, ~~but not earlier than January 1, 2010,~~ to comply with the independence requirements. An insurer acquired as a result of a business combination shall have one (1) calendar year

following the date of acquisition or combination to comply with the independence requirements.

G. ~~The requirements of Section 311A.16 of this title are effective beginning with the reporting period ending December 31, 2010, and each year thereafter.~~ An insurer or group of insurers ~~that are,~~ not required to file a report because the total written premium is below the threshold ~~and,~~ which subsequently becomes subject to the reporting requirements, shall have two (2) years following the year the threshold is exceeded, ~~but not earlier than December 31, 2010,~~ to file a report. Likewise, an insurer acquired in a business combination shall have two (2) calendar years following the date of acquisition or combination to comply with the reporting requirements.

H. If an insurer or group of insurers that is exempt from the requirements of Section 8 of this act no longer qualifies for that exemption, it shall have one (1) year after the year the threshold is exceeded to comply with the requirements of this act.

SECTION 11. AMENDATORY 36 O.S. 2011, Section 311A.18, is amended to read as follows:

Section 311A.18 A. In the case of Canadian and British insurers, the annual audited financial report shall be defined as the annual statement of total business on the form filed by such companies with their supervision authority duly audited by an independent chartered accountant.

B. For such insurers, the letter required in subsection B of ~~Section 8 of this act~~ 311A.6 of this title shall state that the accountant is aware of the requirements relating to the annual audited financial report filed with the Insurance Commissioner pursuant to ~~Section 6 of this act~~ 311A.4 of this title and shall affirm that the opinion expressed is in conformity with those requirements.

SECTION 12. This act shall become effective November 1, 2019.

Passed the House of Representatives the 6th day of March, 2019.

Presiding Officer of the House
of Representatives

Passed the Senate the 3rd day of April, 2019.

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____