

Please note:

With regards to the February 28, 2008 Model Audit Rule letter, please be advised the proposed date will be applied to the December 31, 2010 CPA audit report due in 2011.

February 28, 2008

Dear President:

As you may know, last year the NAIC adopted a revised Model Audit Rule (MAR) in response to the federal Sarbanes Oxley (SOX) legislation. The overall goal of the NAIC is to require all the States to implement the revised MAR for accreditation purposes by January 1, 2010. Section 16 of the revised MAR includes a new requirement entitled Management's Report of Internal Control over Financial Reporting. This requirement applies only to insurers with direct written and assumed premiums of \$500 million or more.

The goal of the Illinois Division of Insurance is to adopt by January 1, 2009 a revised Annual Audited Financial Report Regulation including the NAIC MAR revisions, to be applied to the December 31, 2009 CPA audit report due in 2010. Attached is a briefing memo from the NAIC concerning the MAR. Below are the provisions that Illinois will include in its version of the Regulation which are not in the revised MAR:

1. Foreign insurers will continue to be exempt from the provisions of Part 925 of the Illinois Administrative Code. Currently 50 Ill. Adm. Code 925.140(b)
2. Other current Sections of 50 Ill. Adm. Code 925:
 - 925.50(b)(8)
 - 925.70(a)(3)
 - 925.80(b)
 - 925.90(b) & (c)
 - 925.145

Please feel free to contact either Paul Ebelherr (217 785-5755) in the LAH Financial Analysis unit or Ben Berry (217 557-0407) in the Property & Casualty Financial Analysis Unit with any questions or concerns.

Sincerely,

Michael T. McRaith
Director