

Date: 9/6/24

Virtual Meeting

NAIC/AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (E) WORKING GROUP

September 24, 2024

2:00 p.m. – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 a.m. – 12:00 p.m. PT

ROLL CALL

Doug Stolte, Chair	Virginia	Doug Bartlett	New Hampshire
Laura Clements	California	Dale Bruggeman	Ohio
Rylynn Brown	Delaware	Ryan Keeling	Oregon
Daniel Mathis	Iowa	Diana Sherman	Pennsylvania
Judy Weaver	Michigan	Johanna Nickelson	South Dakota
Shannon Schmoeger	Missouri	Jake Garn	Utah
Andrea Johnson	Nebraska		

NAIC Support Staff: Bruce Jenson

AGENDA

1. Annual Review of Model Audit Rule Premium Threshold—*Doug Stolte (VA)* Attachment A
2. Hear Update on Recent Auditing Pronouncements—*Dave Osborn (Ernst & Young)* Attachment B
3. Any Other Matters—*Doug Stolte (VA)*
4. Adjournment

[https://naiconline.sharepoint.com/teams/FRSSolvencyMonitoring/NAICAICPA WG/9-24-24 Call/9-24-24 NAIC-AICPA WG Agenda.docx](https://naiconline.sharepoint.com/teams/FRSSolvencyMonitoring/NAICAICPA%20WG/9-24-24%20Call/9-24-24%20NAIC-AICPA%20WG%20Agenda.docx)

2023 Annual - Property, Life, Health, Fraternal, & Title				
	# of Co.	Direct Premium (\$ Millions)	# of Co.	Gross Premium (\$ Millions)
Companies in Public Groups	1,466	\$ 1,597,979	1,466	\$ 2,217,630
Non-Public Co. with >\$500 Million DWP/GWP	453	1,240,101	538	\$ 1,659,168
Total	1,919	\$ 2,838,080	2,004	\$3,876,798
Total All Insurers	4,618	\$ 3,036,300	4,618	\$4,083,676
% of Total All Insurers	41.6%	93.5%	43.4%	94.9%

2022 Annual - Property, Life, Health, Fraternal, & Title				
	# of Co.	Direct Premium (\$ Millions)	# of Co.	Gross Premium (\$ Millions)
Companies in Public Groups	1,453	\$ 1,480,161	1,453	\$ 2,035,112
Non-Public Co. with >\$500 Million DWP/GWP	356	1,137,273	421	\$ 1,394,847
Total	1,809	\$ 2,617,434	1,874	\$3,429,959
Total All Insurers	4,616	\$ 2,811,270	4,616	\$3,771,703
% of Total All Insurers	39.2%	93.1%	40.6%	90.9%

AICPA Update – September 2024

Auditing Standards Effective for 2024

SAS No. 148, *Amendment to AU-C Section 935*

Statement on Auditing Standards (SAS) No. 148 amends AU-C section 935, *Compliance Audits*, to update the appendix, “AU-C Sections That Are Not Applicable to Compliance Audits” and conform the standard to reflect the issuance of the following standards:

- SAS No. 142, *Audit Evidence*
- SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

The amendment to the appendix with regard to AU-C section 501, *Audit Evidence—Specific Considerations for Selected Items*, becomes effective for compliance audits for fiscal periods ending on or after December 15, 2022, in order to align with the effective date of SAS No. 142. All other amendments in SAS No. 148 are effective for compliance audits for fiscal periods ending on or after December 15, 2023.

Resources on SAS No. 148 can be found at:

<https://www.aicpa-cima.com/resources/download/sas-no-148-at-a-glance>

SAS No. 147, *Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance With Laws and Regulations*

SAS No. 147 clarifies the requirements and guidance related to the auditor’s inquiries of a predecessor auditor about matters that will assist the auditor in determining whether to accept the engagement. SAS No. 147 narrowly revises AU-C section 210, *Terms of Engagement*, to require an auditor, once management authorizes the predecessor auditor to respond to inquiries from the auditor, to inquire of the predecessor auditor regarding identified or suspected fraud or noncompliance with laws or regulation (NOCLAR). SAS No. 147 also clarifies that once an engagement is accepted, the auditor should document the inquiries of the predecessor auditor and the results of those inquiries.

SAS No. 147 does not revise the audit requirement that the auditor request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries regarding matters that will assist the auditor in determining whether to accept the engagement.

SAS No. 147 is effective for audits of financial statements for periods beginning on or after June 30, 2023.

Resources on SAS No. 147 can be found at:

<https://www.aicpa-cima.com/resources/download/sas-no-147-at-a-glance>

Independence Standards

AICPA Code of Professional Conduct – Revised Definition of Public Interest Entity

The AICPA Professional Ethics Committee (PEEC) adopted a revised definition of public interest entity (PIE) to be included in the AICPA Code of Professional Conduct (AICPA code), which is effective for periods beginning on or after December 15, 2024, with early implementation allowed.

In April 2022, the International Ethics Standards Board for Accountants' (IESBA) revised its definitions of listed entity and PIE. The IESBA code includes separate and, in many cases, more restrictive independence provisions for PIEs¹. IESBA's new PIE definition contains three mandatory categories of PIEs:

- a. A publicly traded entity
- b. An entity one of whose main functions is to take deposits from the public
- c. An entity one of whose main functions is to provide insurance to the public

PEEC monitors and considers IESBA's projects to evaluate whether related changes will enhance the AICPA code and serve to better protect the public interest in the United States.

In December 2023, PEEC adopted a revised definition of PIE that includes IESBA's mandatory categories but defers to the relevant U.S. regulators for purposes of the specific independence requirements². PEEC refined the insurance entity category to include insurers that

1. are subject to the NAIC Annual Financial Reporting Model Regulation (the Model Audit Rule, or MAR) adopted by the respective state insurance department and
2. meet or exceed \$500 million in direct and assumed premiums.

A member who does not belong to a firm or network that voluntarily agrees to comply with the IESBA code will continue to comply only with the AICPA code and rules of the relevant regulator, where applicable. Firms that voluntarily join the [IFAC Forum of Firms](#) may have certain commitments to comply with the Forum of Firms Constitution.

¹The March 2024 "[Summary of prohibitions in IESBA Code applicable to audits of public interest entities](#)" issued by IESBA highlights specific prohibitions that are applicable to PIE audits. Details on the prohibitions for [nonassurance service](#) and [fees](#) for public interest entities can be found in the final pronouncement and basis for conclusion documents issued for these respective projects by IESBA.

² For additional details, refer to the "AICPA Professional Ethics Division: Background and Basis for Conclusion: New Definition of Publicly Traded Entity and Revised Definition of Public Interest Entity". In this document the NAIC's independence requirements in Section 7 of the MAR are acknowledged.