

By: Representatives Stevens, Chism, Coleman To: Insurance
(65th), Dedeaux, Dickson, Eads, Formby,
Ketchings, Masterson, Montgomery (74th),
Robinson (63rd), Robinson (84th), Simpson

HOUSE BILL NO. 686

1 AN ACT TO AMEND SECTION 83-5-107, MISSISSIPPI CODE OF 1972,
2 TO CLARIFY THE QUALIFICATIONS REQUIRED OF ACCOUNTANTS WHO PERFORM
3 AUDITS OF INSURANCE COMPANIES; AND FOR RELATED PURPOSES.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

5 **SECTION 1.** Section 83-5-107, Mississippi Code of 1972, is
6 amended as follows:

7 83-5-107. (1) The commissioner shall not recognize any
8 person or firm as a qualified independent certified public
9 accountant that is not in good standing with the American
10 Institute of Certified Public Accountants and in all states in
11 which the accountant is licensed to practice.

12 Except as otherwise provided herein, an independent certified
13 public accountant shall be recognized as qualified as long as he
14 or she conforms to the standards of his or her profession, as
15 contained in the Code of Professional Ethics of the American
16 Institute of Certified Public Accountants and rules and
17 regulations and code of ethics and rules of professional conduct
18 of the appropriate state board of public accountancy, or similar
19 code.

20 (2) No partner or other person responsible for rendering a
21 report may act in that capacity for more than seven (7)
22 consecutive years. Following any period of service such person
23 shall be disqualified from acting in that or a similar capacity
24 for the same company or its insurance subsidiaries or affiliates
25 for a period of two (2) years. An insurer may make application to
26 the commissioner for relief from the above rotation requirement on
27 the basis of unusual circumstances. The commissioner may consider



28 the following factors in determining if the relief should be
29 granted: (a) number of partners, expertise of the partners or
30 the number of insurance clients in the currently registered firm;
31 (b) premium volume of the insurer; or (c) number of
32 jurisdictions in which the insurer transacts business.

33 (3) The commissioner shall not recognize as a qualified
34 independent certified public accountant, nor accept any annual
35 audited financial report, prepared in whole or in part by, any
36 natural person who (a) has been convicted of fraud, bribery, a
37 violation of the Racketeer Influenced and Corrupt Organizations
38 Act, 18 USCS Sections 1961-1968, or any dishonest conduct or
39 practices under federal or state law; (b) has been found to have
40 violated the insurance laws of this state with respect to any
41 previous reports submitted under this rule; or (c) has
42 demonstrated a pattern or practice of failing to detect or
43 disclose material information in previous reports filed under the
44 provisions of Sections 83-5-101 through 83-5-113.

45 The commissioner may hold a hearing to determine whether a
46 certified public accountant is qualified and, considering the
47 evidence presented, may rule that the accountant is not qualified
48 for purposes of expressing his opinion on the financial statements
49 in the annual audited financial report made pursuant to Sections
50 83-5-101 through 83-5-113 and require the insurer to replace the
51 accountant with another whose relationship with the insurer is
52 qualified within the meaning of this section.

53 **SECTION 2.** This act shall take effect and be in force from
54 and after July 1, 2003.

