

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

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.

