

Exhibit I

Comparison of Key Title II and III SOX Provisions to the Proposed MAR Revisions

Sarbanes Oxley Act of 2002 (SOX)	Proposed Revisions to NAIC Model Audit Rule (MAR)	
	Comparison to SOX	Exemptions, Waivers, or Exceptions
Title II – Auditor Independence		
<p>Sec. 201 – Bans auditors from providing the following services to their public audit clients: Bookkeeping or other services to prepare the financial statements; financial information systems design and implementation; appraisal or valuation services, fairness opinions, or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions; human resources/executive recruiting services; broker/dealer, investment advisor, or investment banking services, legal/expert services unrelated to the audit, and other services determined by the SEC or the PCAOB to be impermissible.</p>	<p>Sec. 7G – Incorporates similar prohibitions as SOX Sec. 201.</p> <p>For actuarial services, clarifies that the prohibition relates to the determination of amounts recorded in the financial statements.</p> <p>Key principles: the auditor can't function in the role of management; audit his or her own work; or serve in an advocacy role for the insurer.</p>	<p>The accountant's actuary may also issue an actuarial certification or opinion if certain conditions have been met.</p>

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Title II – Auditor Independence (cont’d)		
<p>Sec. 202 – All auditing and non-auditing services provided to a public company by the independent auditor must be approved in advance by the audit committee, or be approved pursuant to pre-approval policies and procedures enacted by the audit committee.</p>	<p>Sec. 7I – Incorporates a similar pre-approval requirement as SOX Sec. 202.</p>	<p>The requirement is waived for “SOX Compliant Entities” and their wholly-owned subsidiaries. It is also waived if the aggregate amount of non-audit services is no more than 5% of the total amount of fees paid by the insurer to the independent auditor and if other criteria are met.</p> <p>Insurers having direct written and assumed premiums of less than \$100 million in any calendar year can request an exemption on the basis of a financial or organizational hardship.</p>
<p>Sec. 203 – The lead audit partner and the audit partner responsible for reviewing the audit must rotate off the audit every five years. (SEC guidance extends this further to include other partners in addition to the lead and concurring partner; such other partners could serve no longer than seven years then be off the engagement for two years)</p>	<p>Sec. 7D – The lead, or coordinating, partner may not act in that capacity for more than five consecutive years, then must rotate off for five years.</p>	<p>An insurer may apply to the commissioner for relief on the basis of unusual circumstances. If relief is granted, the insurer shall file such with its annual statement filing.</p>

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Sec. 204 – The auditor must report to the audit committee all critical accounting policies and practices; all alternative accounting treatments that had been discussed with management; and other written communications that are material to the financial statements, e.g., management letters and schedule of unadjusted differences.	Sec. 14F – Contains language similar to SOX Sec. 204.	
Sec. 206 – Precludes a public company from hiring an employee of their audit firm as CEO, controller, CFO, chief accounting officer or equivalent until after a one-year cooling off period. Implementation guidance expands this to anyone in a financial oversight role.	Sec. 7L – Contains similar provision, but only applies to partners or senior managers involved in the audit.	Insurers can apply for relief from this provision on the basis of unusual circumstances. If relief is granted, such shall be filed in the company's Annual Statement.

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Title III – Corporate Responsibility		
<p>Sec. 301 – Establishes minimum audit committee requirements. The audit committee must:</p> <ul style="list-style-type: none"> • Be comprised of independent members • Be responsible for appointing, compensating, and overseeing the work of the audit firm, who must report directly to the committee • Accommodate confidential hotlines for employees to report questionable accounting or auditing matters • Have authority to engage independent legal counsel and have adequate funding. 	<p>Sec. 14 –The proportion of independent audit committee members must be at least:</p> <ul style="list-style-type: none"> • 75% for companies with over \$500 million of calendar year direct and assumed premiums • 50% if premiums are between \$300 million and \$500 million • No minimum requirement if premiums are less than \$300 million <p>The audit committee of a holding company can be deemed to be the audit committee for controlled insurers at the election of the controlling person.</p>	<p>Does not apply to “SOX Compliant Entities” or their wholly-owned subsidiaries.</p> <p>With approval, or as required by law, otherwise non-independent members may participate in the audit committee and be designated as independent, unless they are an officer or employee of the insurer or one of its affiliates.</p> <p>Intended to take effect January 1, 2010; transition rules apply as companies cross the \$300/\$500 million premium triggering thresholds. Insurers with < \$500 million of direct and assumed premiums (as defined) can apply for hardship waiver.</p>

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Section 303 – Makes it unlawful for officers and directors of an issuer, or others acting under their direction, from coercing, manipulating, misleading, or fraudulently influencing the auditor if they knew or should have known that such action could render the financial statements misleading.	Sections 15A-C – Provides requirements similar to SOX Sec. 303.	

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Exhibit II

Comparison of Key Title IV SOX Provisions to the Proposed MAR Revisions

Sarbanes Oxley Act of 2002 (SOX)	Proposed Revisions to NAIC Model Audit Rule (MAR)	
	April 2004 Proposal	March 2006 Proposal
Title IV – Evaluation of Internal Controls		
<p>Management must report annually on the effectiveness of the company’s internal control over financial reporting.</p>	<p>Similar provision to SOX proposed.</p>	<p>Insurers/groups subject to SOX§404 or who otherwise are a “SOX Compliant Entity” may file its or its parents “Section 404 Report” (as defined by the SEC), provided the key internal controls of the insurer are included in the scope of that Section 404 Report. If some key controls were omitted in the Section 404 Report, the insurer would also have to file a MAR Section 16 report covering those key controls.</p> <p>Management has discretion as to the nature of the internal control framework used and related documentation so as to be cost effective in its efforts.</p> <p>Management report to include unremediated material weaknesses as of the prior year-end. Significant deficiencies are not required to be reported, but such information may be requested as part of an examination.</p>

The table summarizes key provisions of SOX Title IV for which the NAIC/AICPA working group has adopted corresponding or related revisions to the MAR. The April 2004 proposal of the NAIC/AICPA Working Group was the basis for the NAMIC Cost-Benefit Study. Following the release of the NAMIC study, significant changes were made as shown in the March 2006 Proposal column. Readers are encouraged to read the MAR in its entirety, including drafting notes.

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Title IV – Evaluation of Internal Controls (cont'd)		
The company's independent auditor must attest to and report on management's assertion.	Similar provision to SOX proposed.	No provision for an independent audit report on internal controls or on management's assertion.
Both management's internal control report and the auditor's report must be included in the company's annual report filed with the SEC.	Similar provision to SOX proposed, i.e., that both reports would be filed with the commissioner.	Same as April 2004 version, except that an independent audit report on internal controls or on management's assertion is not required.
The SEC adopted transition period rules that delayed the effective date. "Accelerated filers", i.e., those registrants with public equity float in excess of \$75 million were required to be in compliance for fiscal years ending on or after June 15, 2004.	<p>Would apply to insurers with direct written and assumed premium in excess of \$25 million.</p> <p>Notwithstanding the \$25 million threshold, the commissioner can require a smaller company to comply if it is in a RBC action level event or is deemed to be in hazardous financial condition.</p>	<p>Threshold increased from \$25 million to \$500 million.</p> <p>Similar to April 2004 version, i.e., notwithstanding the increased threshold of \$500 million, the commissioner can compel a smaller company to comply in these circumstances.</p> <p>Goal is uniform adoption by all states as of December 31, 2010.</p>

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