

**October 2000**

**WEST VIRGINIA INFORMATIONAL LETTER**

**NO. 124**

**TO: ALL INSURERS LICENSED IN WEST VIRGINIA**

**RE: CODIFICATION OF STATUTORY ACCOUNTING PRINCIPLES**

The purpose of this letter is to notify authorized insurers that the National Association of Insurance Commissioners adoption of the codification of statutory accounting principles becomes effective January 1, 2001. These principles are promulgated in the National Association of Insurance Commissioners' "Accounting Practices and Procedures Manual, Effective January 1, 2001." This revised manual is the culmination of years of study and effort by regulators, accountants and industry representatives to develop a comprehensive system of accounting for all insurance entities.

West Virginia Code §33-4-14 requires each licensed insurer to file financial statements on the appropriate National Association of Insurance Commissioners (NAIC) annual and quarterly statement blanks; that the filed statements be prepared in accordance with the NAIC Annual Statement Instructions Handbook; and the insurer follow the accounting practices and procedures prescribed by the NAIC Accounting Practices and Procedures Manual, as amended.

Pursuant to W. Va. Code §33-4-14, effective January 1, 2001, the revised and restructured NAIC Accounting Practices and Procedures Manual, Effective January 1, 2001 will become the primary guidance for valuing, admitting, recognizing, recording, and reporting the assets, liabilities and operations of insurance companies.

The primacy of state law is not questioned by adoption of the revised manual. Specific state prescribed or permitted practices founded in law will supersede guidance in the manual. Insurers will use "Appendix A-205" to the manual to disclose any differences between the guidance of the manual and those practices or procedures prescribed or permitted by regulators in an insurer's state of domicile.

West Virginia Code §33-8-22 allows the Commissioner discretion to recognize "... other investments authorized by the laws of such foreign or alien insurer's state or country of domicile ...". Foreign or alien insurers will utilize "Appendix A-001" to the manual to recognize that the insurer's investment practices and state investment laws may differ from the guidance set forth in the "Accounting Practices and Procedures Manual, Effective January 1, 2001." Foreign or alien insurers will also utilize "Appendix A-001" to recognize that differences between the insurer's investment practices and state investment laws and the guidance set forth in the "Accounting Practices and Procedures Manual, Effective January 1, 2001" may impact the value of admitted assets as reported in the annual statements.

## Contact Persons and Availability of Manuals

Information about the "Accounting Practices and Procedures Manual, Effective January 1, 2001" is available through the NAIC's website at [www.naic.org](http://www.naic.org). The NAIC online Publications Catalog refers to the "Accounting Practices and Procedures Manual, Effective January 1, 2001" as the "Accounting Practices and Procedures Manual - Version 2000." Orders may be placed online or by the following methods:

By E-mail: [pubdist@mailkc1.naic.org](mailto:pubdist@mailkc1.naic.org)

By Fax: (816) 460-7593

By Phone (816) 783-8300, M-F, 8:30am-5:00pm (CST)

By Mail: Contact the NAIC for an order form. Send completed form to P. O. Box 87-7870, Kansas City, MO 64187-7870.

The NAIC has compiled a Codification of Statutory Accounting Principles Self-Study Program specifically designed to enable (1) awareness and understanding of major changes in statutory accounting guidance brought about by the "Accounting Practices and Procedures Manual, Effective January 1, 2001" and (2) to understand the organization of the Statements of Statutory Accounting Principles and related codification guidance contained in the "Accounting Practices and Procedures Manual, Effective January 1, 2001." Contact the NAIC by one of the above listed methods to obtain The Self-Study Program.

Industry Training seminars have also been developed by the NAIC. The seminars are designed for staff level accountants, financial analysts, accounting managers, controllers and CPAs. The seminars also appeal to insurance company CFOs, CIOs and other individuals who are interested in understanding the effects of the changes resulting from codification on the financial statements, and accounting and control systems of insurers. Information about the training seminars is available at the NAIC's website under the What's New button.

Questions regarding this letter may be directed to the Financial Conditions Division of the Offices of the West Virginia Insurance Commissioner at (304) 558-2100 or E-mail to [wvins@wvnm.wvnet.edu](mailto:wvins@wvnm.wvnet.edu).

Hanley C. Clark  
Insurance Commissioner