

191—98.3 (505) Definitions. The terms and definitions contained herein are intended to provide definitional guidance as the terms are used within this chapter.

“Accountant” or *“independent certified public accountant”* means an independent certified public accountant or accounting firm in good standing with the American Institute of Certified Public Accountants (AICPA) and in all states in which the individual or firm is licensed to practice; for Canadian and British companies, it means a Canadian-chartered or British-chartered accountant.

“Affiliate” of, or person *“affiliated with,”* a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

“Audit committee” means a committee (or equivalent body) established by the board of directors of an entity for the purpose of overseeing the accounting and financial reporting processes of an insurer or group of insurers, the internal audit function of an insurer or group of insurers (if applicable), and external audits of financial statements of the insurer or group of insurers. The audit committee of any entity that controls a group of insurers may be deemed to be the audit committee for one or more of these controlled insurers solely for the purposes of this chapter at the election of the controlling person. Refer to subrule 98.13(6) for exercising this election. If an audit committee is not designated by the insurer, the insurer’s entire board of directors shall constitute the audit committee.

“Audited financial report” means and includes those items specified in rule 98.5(505).

“Group of insurers” means those licensed insurers included in the reporting requirements of Iowa, or a set of insurers as identified by management, for the purpose of assessing the effectiveness of internal control over financial reporting.

“Indemnification” means an agreement of indemnity or a release from liability where the intent or effect is to shift or limit in any manner the potential liability of the person or firm for failure to adhere to applicable auditing or professional standards, whether or not resulting in part from knowing of other misrepresentations made by the insurer or its representatives.

“Independent board member” has the same meaning as described in subrule 98.13(4).

“Insurer” means a licensed insurer under Title XIII of the Iowa Code, except entities organized under Iowa Code chapters 512A, 512B, 518, and 518A.

“Internal audit function” means a person or persons that provide independent, objective and reasonable assurance designed to add value and improve an organization’s operations and accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

“Internal control over financial reporting” means a process effected by an entity’s board of directors, management and other personnel designed to provide reasonable assurance regarding the reliability of the financial statements, i.e., those items specified in paragraphs “b” through “g” of subrule 98.5(2), and includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements, i.e., those items specified in paragraphs “b” through “g” of subrule 98.5(2), and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of

unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements, i.e., those items specified in paragraphs “b” through “g” of subrule 98.5(2).

“*NAIC*” means the National Association of Insurance Commissioners.

“*SEC*” means the United States Securities and Exchange Commission.

“*Section 404*” means Section 404 of the Sarbanes-Oxley Act, 15 U.S.C. Section 7262, and the SEC’s rules and regulations promulgated thereunder.

“*Section 404 Report*” means management’s report on “internal control over financial reporting” as defined by the SEC and the related attestation report of the independent certified public accountant.

“*SOX*” means the Sarbanes-Oxley Act of 2002, Pub.L. 107-204, 116 Stat. 745.

“*SOX compliant entity*” means an entity that either is required to be compliant with, or voluntarily is compliant with, all of the following provisions of SOX: (1) the preapproval requirements of Section 201 (Section 10A(i) of the Securities Exchange Act of 1934, 15 U.S.C. Section 78j-1(i)); (2) the audit committee independence requirements of Section 301 (Section 10A(m)(3) of the Securities Exchange Act of 1934, 15 U.S.C. Section 78j-1(m)(3)); and (3) the internal control over financial reporting requirements of Section 404 (Item 308 of SEC Regulation S-K, 17 C.F.R. Section 228.308).

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