

# NOTICES

## **Guidelines for Retention of Records by Insurers and Other Entities Subject to Examinations Conducted by the Insurance Department; Notice No. 2011-10**

**[41 Pa.B. 5849]**

**[Saturday, October 29, 2011]**

This notice and accompanying Record Retention Guidelines (Guidelines) are intended to assist insurers in establishing appropriate record retention procedures for purposes of financial and market conduct examinations conducted by the Insurance Department (Department) under Article IX of The Insurance Department Act of 1921 (act) (40 P. S. §§ 323.1—323.8).

The general requirement for retention of records is 7 years from execution of the record, unless otherwise specified in the Guidelines. The 7-year period allows for conclusion of the financial examination process within timeliness standards adopted by the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation Committee. The Guidelines supplement the 7-year general requirement by providing guidance in the establishment of appropriate retention periods for specific types of records for purposes of both financial and market conduct examinations.

Of course, the Guidelines are recommended minimum retention periods and do not affect any record retention requirements that may be in excess of the Guidelines, such as requirements imposed by the Internal Revenue Service, other regulatory agencies, statutes of limitation or other applicable laws or regulations. The Department recognizes the need for insurers to exercise discretion in establishing record retention requirements in accordance with advice of legal counsel and that insurers may determine that longer retention periods are necessary or advisable. In addition, under the authority in the act, the Department may require whatever additional records may be necessary to readily verify the financial condition of an insurer and ascertain whether the insurer has complied with the laws of the Commonwealth. For purposes of financial and market conduct examinations, the Department will permit insurers not domiciled in this Commonwealth to retain records either for the length of time specified in the Guidelines or for the length of time required for examination purposes in the insurers' domiciliary jurisdictions.

With respect to the use of electronic paperless filing systems, 15 Pa.C.S. § 107 (relating to form of records) which applies to insurance corporations provides, in part:

Any records maintained by a corporation or other association in the regular course of its business, including shareholder or membership records, books of account and minute books, may be kept on, or be in the form of, punch cards, magnetic storage media, photographs, microphotographs or any other information storage device if the records so kept can be converted into reasonably legible written form within a reasonable time.

Sections 903 and 904 of the act (40 P. S. §§ 323.3 and 323.4) require entities subject to the Department's examination to keep records in a manner as the Department may require to readily verify the examinee's financial condition and compliance with laws and to provide timely, convenient and free access to all records. Therefore, insurers are not prohibited from using paperless filing technology as long as their records are readily accessible and useable for examination purposes.

A paperless system should include adequate controls and be appropriately tested to identify and correct any deficiencies. Record storage sites should have appropriate security systems and adequate protection from loss or damage by fire or other hazards. An electronic record must accurately reflect the information in the record as it was first generated. Recordkeeping systems must be archival in nature and include safeguards that provide reasonable assurances against tampering, alteration or degradation of records. Paperless systems must have the capability to reproduce records in hard copy or other medium acceptable to the Department that is as legible as the original document and that includes all information in the original record, including signatures, notations and approval stamps. Sufficient visual terminals must be available to provide Department examiners with ready access to data during the course of an examination.

An insurer's management must use prudent judgment in determining appropriate record retention policies, subject to applicable statutory requirements or restrictions. Questions concerning record retention relating to financial examinations may be directed to the Director, Bureau of Financial Examinations, (717) 783-2142. Questions relating to market conduct examinations may be directed to the Director, Bureau of Market Actions, (717) 787-9100.

### **Guidelines for Retention of Records**

<b>Type of Record</b>	<b>Retention Period</b>
Accounts Payable Ledgers and Schedules	7 years
Accounts Receivable Ledgers and Schedules	7 years
Advertisement Files (including Internet ads)	7 years (from date published or revised)
Annual/Quarterly Statement Blank and Supporting Work papers	7 years
Bank Reconciliations	7 years
Borrowed Money Documents	7 years (after amount borrowed is paid off)
Capital Stock and Bond Records (ledgers, transfer registers, stubs showing issues, record of interest coupons, opinions)	Permanently
Cash Books	7 years
CPA Annual Audit Reports, Management Letters and Required Communication and Reports relating to Internal Control over Financial Reporting	7 years
Charts of Accounts	7 years
Checks (cancelled)	7 years

(records of uncashed drafts or checks)	7 years (or in accordance with escheat laws of applicable state, whichever is greater)
Claims Files (loss reports, reported and paid claims files, including a complete chronological record)	7 years (after claim is closed)
Collateral Loans (closing documents, appraisals/valuation documents, Payment history, collateral documents)	7 years (after repayment)
Conflict of Interest Statements	7 years
Consumer Complaints (including log of complaints and correspondence with state or federal regulators)	7 years
<i>Note: Failure to maintain a complete record of all complaints received during the preceding 4 years is a violation of the Unfair Insurance Practices Act (See 40 P. S. § 1171.5(11)).</i>	
Contracts and Leases	7 years (after expiration)
Correspondence with Policyholders, Claimants or Consumers (routine or general correspondence not covered by other guidelines)	7 years
Correspondence with state or federal regulators (other than correspondence regarding complaints)	7 years (or as long as needed to document compliance with regulatory requirements, whichever is greater)
Deposit Slips	7 years
Employee Personnel Records	7 years (after termination)
Expense Analyses and Expense Allocation Schedules	7 years
Forms (approved by state insurance regulator)	2 years (after claims can no longer be reported under the form)
General and Subsidiary Ledgers and End-of-Year Trial Balances	7 years
Holding Company Registration Statements	7 years
Internal Audit Reports	7 years
Internal Insurance Records (current loss reports, claims, policies for insurance coverages purchased by the company for its own protection)	7 years (after coverage no longer in force)
Internal Reports, Policies and Procedures (relating to financial reporting or compliance with regulatory requirements)	7 years
Inventories of Furniture, Fixtures and Equipment	7 years (after disposal)
Investment Plan	7 years
Investment Records (buy and sell invoices, ledgers, journals, broker statements, custodial/trust account statements)	7 years
Invoices from Vendors	7 years

Journals	7 years
Limited Partnership Interests (partnership agreement, partnership financial statements, records of distributions, equity valuation information)	7 years (after disposal)
Litigation Records	7 years (after settlement or final resolution)
Minute Books of Directors and Stockholders (or Policyholders) and Committees (including by-laws and charter)	Permanently
Mortgage Loans (closing documents, appraisals, payment history, rent rolls)	7 years (after repayment)
Notes Receivable Ledgers and Schedules	7 years
Other Invested Assets (all pertinent documents)	7 years (after disposal)
Payroll Records and Summaries (including payments to pensioners and payroll deductions)	7 years
Petty Cash Vouchers	7 years
Policy Issue Records (including underwriter's notes/notices, original applications, declaration pages, endorsements and selection forms)	2 years (after claims can no longer be reported under the policy)
Policy Termination Records (including documentation)	7 years
Policyholder Dividend Records	7 years
Premium Notices and Refunds (including proof of refund within required time period)	7 years
Producer Commission Schedules	7 years
Producer Contracts	7 years (after expiration)
Producer Discrepancies	7 years
Producer Licensing Records (including effective/termination dates)	7 years (from termination)
Producer Terminations (including copies of notices to producers and Department)	7 years
Property Records (including appraisals, costs, depreciation reserves end-of-year trial balances, depreciation schedules, titles, plans, deeds, mortgages and agreements of sale)	7 years (after no longer have an interest in the property)
Rate Filings (including all rates utilized during retention period)	7 years (after replacement by latest filing)
Reinsurance Transactions (including contracts, records of settlements, trust accounts and letters of credit)	7 years (after contract is no longer in effect)
Reports of State Insurance Department Examinations (financial and market conduct)	7 years
Reserve Calculation Documentation (including actuarial	10 years

opinion and supporting actuarial memorandum)	
SEC Filings	7 years
Subrogation and Salvage Records	7 years
Surrender Request	7 years
Tax Returns and Worksheets (including revenue agents' reports and other documents relating to determination of income tax liability)	7 years
Unclaimed Property or Escheatable Funds/Assets	As long as required by escheat laws of applicable jurisdiction
Vouchers for Payments to Vendors, Employees, and the like (including allowances and reimbursements of employees, officers or other persons or travel and entertainment expenses)	7 years

This notice supersedes Insurance Department Notice No. 2009-07 published at 39 Pa.B. 4664 (August 1, 2009) and shall remain in effect until a subsequent notice is published in the *Pennsylvania Bulletin*.

MICHAEL F. CONSEDINE,  
Insurance Commissioner