

Section 3.09– Audit and Records

- (A) **Financial Statements of Members**. IRMA will provide no less than 30 days advance notice to members of the due date for submission. Each MEMBER shall annually submit to IRMA its: (i) financial statements, which have been audited by an independent Certified Public Accountant, and (ii) other documents required by IRMA to determine the amount or rate of the pool contributions. In the event that the audited financial statements contain a qualified opinion or no opinion, the IRMA staff will determine if the statements can serve as a basis for the Revenue Base calculation and forward their recommendation to the Administration & Finance Committee for approval. If the IRMA staff determines that such statements will not serve as a basis for the Revenue Base calculation, then the MEMBER will be considered to have failed to provide IRMA with the required financial statements and the Revenue Base will be determined using the method below. Such required financial statements shall be submitted to IRMA promptly upon their preparation. The determination of a MEMBER's Initial Contribution and Revenue Base for a particular fiscal year shall be based upon such MEMBER's revenues reported in its most recent annual financial statements as of the date of that determination. The financial statements for any given year may not be used more than once for purposes of making such determination except that the failure of a MEMBER to provide IRMA with the information required under this section by the date established by IRMA shall result in IRMA increasing the prior fiscal year's Revenue Base of the MEMBER by ten percent (10%) for purposes of determining the MEMBER's next fiscal year's Revenue Base as well as imposing a daily penalty of \$100 until the Revenue Base and audited financial statements are received. IRMA will provide the MEMBER with written notification of this decision and the MEMBER will have the right to appeal any such decision in accordance with the procedures in Section 4.04 hereof.

If a MEMBER is delinquent in submitting its audited financial statements for a second consecutive year, but has submitted to IRMA audited financial statements for the prior fiscal year that was subject to the above 10% surcharge, then the prior year's Revenue Base shall be recalculated based on such submitted audited financial statements for the sole purpose of calculating the current year's Revenue Base, provided that such audited financials: (i) are submitted to IRMA in a timely manner to make the appropriate adjustment for the current period, and (ii) are otherwise in compliance with this section.

- (B) **IRMA Financial Statements**. IRMA shall prepare annual financial statements in accordance with generally accepted accounting principles and shall provide for an annual financial statement audit to be conducted by an independent certified public accounting firm for the purpose of expressing an opinion thereon. The audit for each fiscal year shall be completed within six (6) months after the end of such fiscal year. IRMA shall provide a copy of said audited financial statements to its MEMBERS.
- (C) **Actuary**. IRMA shall annually engage a property/casualty actuary to review the adequacy of reserves for all open Program Years and develop the Loss Fund rate for the succeeding fiscal year.
- (D) **Investment Consultant**. The Board of Directors shall engage an independent investment consultant no less than once every two (2) fiscal years to analyze IRMA's investment performance and provide a written report thereof.
- (E) **Claims Auditor**. The Board of Directors shall engage an independent claims auditor no less than once every three (3) fiscal years to provide a written report concerning IRMA's claims processing and reserving practices.