



Tony Knowles, Governor

**Department of Community
and Economic Development**

Division of Insurance

3601 C Street, Suite 1324, Anchorage, AK 99503-5948
Telephone: (907) 269-7900 • Fax: (907) 269-7910 • Text Telephone: (907) 465-5437
Email: Insurance@dced.state.ak.us • Website: www.dced.state.ak.us/insurance/

ORDER NUMBER R 01-06

June 21, 2001

**ORDER GRANTING CONDITIONED APPROVAL
UNDER AS 21.90.070(f) FOR
SUNDERLAND MARINE MUTUAL INSURANCE CO., LTD., US BRANCH**

BACKGROUND:

1. Sunderland Marine Mutual Insurance Co., Ltd., US Branch (SMMI-US) is licensed in Alaska as a US Branch of an alien insurer under AS 21.09.310.
2. AS 21.09.310(g) requires SMMI-US to maintain a trust account in an amount that is not less than the US branch's reserves and other liabilities (as calculated in AS 21.09.310(o)), plus the greater of (1) minimum basic capital or basic guaranteed surplus and additional maintained surplus required under AS 21.09.070; or (2) the authorized control level risk-based capital under AS 21.14.
3. The minimum basic capital or basic guaranteed surplus and additional maintained surplus required under AS 21.09.070 by SMMI-US, which is licensed to write marine insurance, is \$1,000,000 in basic capital or surplus and \$750,000 in additional maintained surplus.
4. AS 21.09.070(f) allows a domestic property or casualty insurer to assume reinsurance only if, without prior written approval from the director, it maintains policyholder surplus of at least \$20,000,000.
5. The division informed SMMI-US on August 18, 2000 and January 18, 2001 that, since they were assuming United States business, the minimum trust account excess they would need to carry would be \$20,000,000.
6. On November 22, 2000, in a letter to the division, SMMI-US stated that, since their reinsurance assumption agreements are for fronting their surplus lines business, they asked for confirmation that adherence to AS 21.09.070(f) was not required and that it was not applicable to their reinsurance arrangements.

FINDINGS:

The Director finds that:

A. SMMI-US has maintained the following trustee surplus in its trust account as reported on the Trustee Surplus Statements filed quarterly with the division.

Financial Statement Date	Trustee Surplus
12/31/99	\$ 5,223,216
3/31/00	6,026,774
6/30/00	6,576,020
9/30/00	5,862,466
12/31/00	6,574,682

These amounts satisfy the basic excess requirement of \$1,750,000.

B. SMMI-US began to report small amounts of assumed premiums in the fourth quarter of 1999 on the quarterly financial statement filings with the division. The amount of the assumption has been small in relation to the total net premiums written (6.4 percent by year end 2000). The assumed business results in claim liabilities that will be figured into the amount of the trust each quarter.

C. As applied to SMMI-US, AS 21.09.070(f) requires a minimum of \$1,750,000 as the additional amount in the trust account above liabilities if no reinsurance is assumed or, if reinsurance is assumed, the minimum amount increases to \$20,000,000 unless the director gives prior written approval.

D. SMMI-US did not obtain prior written approval from the director to maintain less than \$20,000,000 when they began to report assumption of reinsurance.

E. The division informed SMMI-US during 2000 that since they were assuming reinsurance without prior written approval from the director, the minimum excess they would need to carry would be \$20,000,000.

F. Quarterly financial statements filed with the division since December 31, 1999 show assumed premiums and the policyholder surplus has not been increased to \$20,000,000, which constitutes a violation of AS 21.09.310(g) for not meeting the requirements of AS 21.09.070.

G. The director finds that the amount of business assumed by SMMI-US does not warrant imposing the \$20,000,000 requirement of AS 21.09.070(f). However, additional minimum trust funds are warranted in an amount equal to the amount of assumed premium.

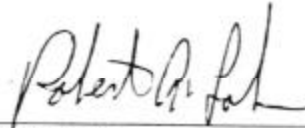
ORDER:

The director approves SMMI-US's request for a waiver of the requirement to maintain \$20,000,000 in policyholder surplus in excess of the other required trust assets, subject to the following conditions:

1. SMMI-US must increase trusted surplus by an amount equal to the amount of premiums received under all assumption agreements; and

2. SMMI-US's assumed reinsurance premiums may not exceed 25 percent of its direct premiums written unless and until the minimum excess trust money meets the requirements of AS 21.09.070(f).

This order is effective June 21, 2001.



Robert A. Lohr
Director