



THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

Department of Commerce, Community,  
and Economic Development

DIVISION OF INSURANCE  
Anchorage Office

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CERTIFIED MAIL  
RETURN RECEIPT REQUEST

STATE OF ALASKA  
DEPARTMENT OF COMMERCE, COMMUNITY AND  
ECONOMIC DEVELOPMENT  
DIVISION OF INSURANCE  
550 WEST 7<sup>TH</sup> AVENUE, SUITE 1560  
ANCHORAGE, AK 99501-3567

Order FE 19-01 )  
In the Matter of the Examination of )  
Umialik Insurance Company )

FINDINGS OF FACT

1. A report of examination of Umialik Insurance Company, domiciled in the State of Alaska, has been issued by the State of Alaska, Division of Insurance, to Umialik Insurance Company.
2. The Report of the Examination of the Umialik Insurance Company (FE19-01) has been forwarded to Peter Corning, Chief Financial Officer of Umialik Insurance Company (Examinee) and the Examinee has been accorded at least 30 days opportunity to review and comment on this Report of Examination. A response from the Examinee was received on June 1, 2020.
3. The Director of the Division of Insurance has fully considered and reviewed the report, the Examinee response, and any relevant portions of the Examiner's work papers to the extent she considered necessary.

CONCLUSIONS OF LAW

1. The written Report of the Examination referred to in Finding of Fact No. 1 above was issued in accordance with Alaska Statute (AS) 21.06.150(b).

2. The actions set forth in Finding of Fact No. 2 above were conducted in accordance with AS 21.06.150(b).
3. The Director of the Division of Insurance has reviewed the Report of Examination, the Examinee response, and any other relevant work papers as set for the in Finding of Fact No. 3 above to the extent she extent she considered necessary in accordance AS 21.06.150(b).

ORDER

IT IS ORDERED

1. Pursuant to AS 21.06.150(b)(1), the Report of the Examination of Umialik Insurance Company (FE 19-01) is approved as filed.
2. Pursuant to AS 21.06.060, the Report of the Examination shall be kept in the Office of the Director of the Division of Insurance and be open to public inspection.

This order is effective June 25, 2020.

Dated this 25th day of June in Anchorage, Alaska.

  
\_\_\_\_\_  
Lori Wing-Heier, Director  
State of Alaska  
Division of Insurance

Statutory Financial Examination of  
**UMIALIK INSURANCE COMPANY**

FE 19-01

As of  
December 31, 2018

Issued by  
**STATE OF ALASKA**  
**DEPARTMENT OF COMMERCE, COMMUNITY, AND**  
**ECONOMIC DEVELOPMENT**  
**DIVISION OF INSURANCE**

NAIC Company Code: 40126  
NAIC Group Code: 00309

**PROPOSED REPORT:**  
May 21, 2020

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THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Commerce, Community,  
and Economic Development

DIVISION OF INSURANCE

550 West Seventh Avenue, Suite 1560  
Anchorage, AK 99501-3567  
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May xx, 2020

Lori Wing-Heier, Director  
Division of Insurance  
Department of Commerce, Community  
and Economic Development  
State of Alaska  
550 West 7th Avenue, Suite 1560  
Anchorage, AK 99501-3567

Dear Director Wing-Heier:

In accordance with your instructions and authorizations, and in accordance with statutory requirements, an examination has been made of the financial condition and business affairs of:

Umialik Insurance Company (the "Company" or "Umialik")  
725 E. Fireweed Lane, Suite 500  
Anchorage, AK 99503

(NAIC CoCode 40126)

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of Umialik Insurance Company covering the two-year period of January 1, 2017 through December 31, 2018. While part of the Western National Insurance Group ("WNIG"), the examination was not part of a coordinated examination of WNIG as the lead state examines its insurer every five years while those domiciled in Alaska are subject to examination, by statute, every three years. The last examination covered the period of January 1, 2014, through December 31, 2016.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook"). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as required by AS 21.06.150, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

### **SUMMARY OF EXAMINATION FINDINGS**

No comments and recommendations have been made as a result of this examination:

### **DESCRIPTION OF COMPANY**

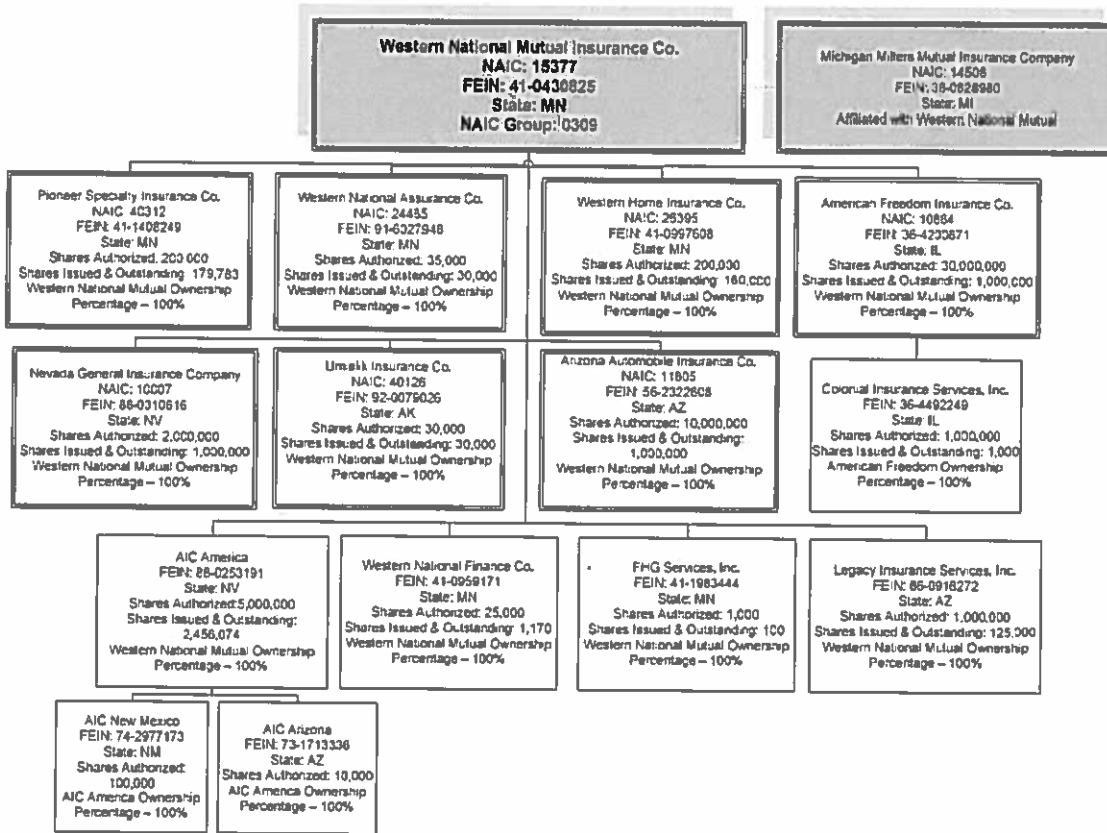
#### **Company History**

Umialik is an Alaska-domiciled insurance company organized pursuant to Title 21, Chapter 69, of the Alaska Statutes. Umialik was incorporated on May 13, 1981 and received a Certificate of Authority (license D-1322) from the State of Alaska effective June 10, 1981 authorizing it to transact the business of disability, property, casualty, surety, marine, wet marine, and transportation. As of December 31, 2018 the Company was licensed to transact business in the states of Alaska and Washington.

Western National Mutual Insurance Company ("Western National") filed a Form A with the Division for the acquisition of Umialik in October 2010. A public hearing was held November 15, 2010 and the acquisition was approved by the Director on November 22, 2010.

#### **Management and Control**

Umialik is part of a holding company and is a wholly owned subsidiary of Western National. Western National is a private mutual insurer headquartered in Edina, Minnesota which provides personal and commercial property and casualty insurance. Below is an organization chart of WNIG.



**Related Party Activity**

The companies are party to an intercompany quota-share reinsurance pooling agreement with Western National as the pool leader. Under this agreement, each pool member agrees to cede to Western National a 100% interest in their respective gross net liability retained for their own account, which excludes business otherwise ceded or retroceded to third party reinsurers. Such liabilities include reserves for unearned premiums, outstanding loss and loss adjustment expenses and all other outstanding and administrative expenses (excluding inter-company balances, federal income tax related liabilities and liabilities incurred with their respective investment transactions).

Western National then retrocedes to the companies, their respective quota-share percentages which exist after the initial cessions. Settlement of the corresponding intercompany payables and receivables is to occur by December 31 of the reporting year. Effective January 1, 2017 American Freedom Insurance Company and Nevada General Insurance Company were added to the pooling agreement as indicated below:

NAIC Company Code	Company	2018 Pooling Share	State of Domicile
15377	Western National Mutual Insurance Company	74%	MN
24465	Western National Assurance Company	5%	MN
26395	Western Home Insurance Company	5%	MN
40312	Pioneer Specialty Insurance Company	5%	MN
<b>40216</b>	<b>Umialik Insurance Company</b>	<b>5%</b>	<b>AK</b>
11805	Arizona Automobile Insurance Company	2%	AZ
10864	American Freedom Insurance Company	3%	IL
10007	Nevada General Insurance Company	1%	NV

In addition to the pooling agreement with Western National, the Company participates in a management and expense agreement, effective July 1, 2016, and a tax sharing agreement, effective July 1, 2016.

The Articles of Incorporation and bylaws of Umialik provide that a board of directors elected by the shareholder will manage the business and affairs of the Company. The Articles of Incorporation also provide that the Board of Directors shall have a minimum of five and a maximum of twenty-one members. The Company amended its bylaws on June 22, 2004, to increase the minimum number of directors from five up to seven members.

During the period under examination, Umialik's Board of Directors consisted of seven individuals in 2017 and six individuals in 2018.

NAME	TITLE	2017	2018
Stuart Henderson	President & CEO	X	X
Michael Braun	Senior Vice President	X	X
Peter Corning	CFO & Treasurer	X	X
Jeffrey Couchman	Senior Vice President	X	X
Richard Kalina	Senior Vice President	X	X
Richard Long	Senior Vice President	X	X
Steven Richards	Executive Vice President	X	

#### Conflict of Interest

The Company has established a formal code of conduct outlining procedures for disclosure of potential conflicts of interest. Annual conflict of interest disclosure questionnaires are to be completed by all officers and directors. These statements identify any material interest or affiliation which may conflict with the duties of such person on behalf of the Company.



### **Territory and Plan of Operation**

The Company is authorized to transact the following lines of business: boiler and machinery, burglary and theft, credit, elevator, entertainments, glass, health, leakage and fire extinguishing equipment, liability, livestock, malpractice, marine, miscellaneous casualty, personal property floater, property, surety (including fidelity), vehicle, wet marine, and workers compensations and employers liability policies. As of December 31, 2018, they are licensed to conduct business in the states of Alaska and Washington. Umialik management stated their intent to cease writing new business in the state of Washington to focus on their Alaska business. Since 2013, 100% of direct premiums written by the Company have been in Alaska.

Based on the lines of business for which Umialik is licensed, and pursuant to the requirements of AS 21.09.070, the Company is required to maintain minimum policyholders' surplus of \$5,250,000. As of December 31, 2018, the Company's policyholder surplus was \$29,285,799.

### **Growth of the Company**

The following schedule summarizes year-end balance sheet numbers for the beginning of this examination period and for the years ending December 31, 2017 through December 31, 2018. The figures are reported in the annual statements of the Company for the years 2016 through 2018:

<b><u>Year</u></b>	<b><u>Admitted Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Surplus</u></b>
2016	\$60,563,123	\$34,967,461	\$25,595,662
2017	\$77,674,779	\$51,054,938	\$26,619,841
2018	\$83,699,563	\$54,413,764	\$29,285,799

### **Reinsurance**

The Company is party to an intercompany quota share reinsurance pooling agreement as described above. Under this agreement Umialik and other included affiliates cede 100% of the Net Written Premium and related risks to Western National. Western National then retrocedes based on the pool percentages stated above.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Alaska Division of Insurance and present the financial condition of the company for the period ending December 31, 2018. The accompanying comments on financial statements should be considered an integral part of the financial statements.

**FINANCIAL STATEMENTS**  
**STATEMENT OF ASSETS, LIABILITIES and SURPLUS**  
As of December 31, 2018

		<u>As Reported</u> <u>12/31/2018</u>
<u>Assets</u>		
Bonds	\$	65,078,574
Cash, cash equivalents and short-term investments		(954,704)
Total cash and invested assets		<u>64,123,870</u>
Investment income due and accrued		680,904
Uncollected premiums and agents' balances in the course of collection		787,340
Deferred premiums, agents' balances and installments booked but deferred		13,712,029
Amounts recoverable from reinsurers		31,396
Net deferred tax asset		1,104,719
Receivables from parent, subsidiaries and affiliates		3,125,305
Brokerage agreement receivable		134,000
Total Admitted Assets	\$	<u><u>83,699,563</u></u>
<u>Liabilities, Surplus, and Other Funds</u>		
<u>Liabilities</u>		
Losses	\$	18,519,917
Reinsurance payable on paid losses and loss adjustment expenses		144,949
Loss adjustment expenses		3,876,419
Commissions payable, contingent commission and other similar char.		525,430
Other expenses		1,648,276
Taxes, licenses and fees		98,501
Current federal and foreign income taxes		415,276
Unearned premiums		13,986,253
Advance premium		424,608
Ceded reinsurance premiums payable		49,694
Amounts withheld or retained by company for account of others		(106,056)
Remittances and items not allocated		5,410
Provision for reinsurance		4,000
Payable to parent, subsidiaries and affiliates		14,815,907
Payables for securities		5,180
Total Liabilities	\$	<u>54,413,764</u>
<u>Surplus</u>		
Common capital stock		3,000,000
Gross paid in and contributed surplus		8,208,430
Unassigned funds		18,077,368
Total surplus	\$	<u>29,285,799</u>
Total Liabilities and Surplus	\$	<u><u>83,699,563</u></u>

**FINANCIAL STATEMENTS**  
**STATEMENT OF OPERATIONS**  
As of December 31, 2018

	<u>As Reported</u> <u>12/31/2018</u>
<b><u>Underwriting Income</u></b>	
Premiums earned	\$ 28,286,294
<b><u>Deductions</u></b>	
Losses incurred	\$ 15,795,596
Loss adjustment expenses	2,850,271
Other underwriting expenses incurred	8,584,983
Total underwriting deductions	\$ 27,230,850
Net underwriting gain or (loss)	\$ 1,055,444
<b><u>Investment Income</u></b>	
Net investment income earned	\$ 2,134,593
Net realized capital gains	18,548
Net Investment gain or (loss)	\$ 2,153,141
<b><u>Other Income or (Loss)</u></b>	
Net gain (loss) from agents' or premium balances charged off	\$ (316,655)
Finance and service charges not included in premiums	\$ 49,564
Aggregate write-ins for miscellaneous income	135,272
Net Other Income or (loss)	\$ (131,819)
Net income before federal income tax	\$ 3,076,766
Federal income taxes incurred	664,625
Net income (loss)	\$ 2,412,141

**FINANCIAL STATEMENTS**  
**RECONCILIATION OF CAPITAL AND SURPLUS**  
As of December 31, 2018

	Common Capital Stock	Gross Paid In and Contributed Surplus	Unassigned Surplus (Deficit)	Total Policyholders' Surplus
Balance at December 31, 2016	\$ 3,000,000	\$ 8,208,430	\$ 14,387,232	\$ 25,595,662
Net income - 2017			1,703,094	1,703,094
Change in net unrealized capital gains			15,643	15,643
Change in net deferred income tax			(514,989)	(514,989)
Change in nonadmitted assets			(217,570)	(217,570)
Change in provision for reinsurance			38,000	38,000
Balance at December 31, 2017	\$ 3,000,000	\$ 8,208,430	\$ 15,411,411	\$ 26,619,841
Net income (loss) - 2018			2,412,141	2,412,141
Change in net unrealized capital gains			4,206	4,206
Change in net deferred income tax			105,689	105,689
Change in nonadmitted assets			147,922	147,922
Prior year gain allocated to policyholders				-
Surplus paid to policyholders				-
Change in provision for reinsurance			(4,000)	(4,000)
Balance at December 31, 2018	\$ 3,000,000	\$ 8,208,430	\$ 18,077,369	\$ 29,285,799

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS  
RESULTING FROM THE EXAMINATION**

No adjustments to the financial statements filed as of December 31, 2018 were made to surplus as a result of the examination.

**COMMENTS ON FINANCIAL STATEMENTS**

There were no findings noted in the current examination.

**SUBSEQUENT EVENTS**

**COVID-19 Economic Impact:** During March of 2020, the World experienced a pandemic related to the COVID-19 virus. At the date of this report, the Company has not been able to quantify the effects of this pandemic on its current or future financial statements. Also, as of the date of this report, the Company was fully operational and was providing services to its policyholders. The Company expects COVID-19 to be an earnings event, not a solvency event.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations to be made within the scope of this report of examination.

**CLOSING**

This examination was conducted in accordance with practices and procedures promulgated by the NAIC. This examination also includes a compliance review of applicable Alaska Statutes and Regulations.

In addition to the undersigned, the following examiners participated in the examination from the Alaska Division of Insurance: Insurance Financial Examiner II Wallace R. Thomas, Actuary Michael D. Ricker, FCAS, MAAA, and Insurance Financial Examiner I Jeffery A. Bethel. Also participating in the examination were contract examiners from Risk and Regulatory Consulting, LLC, as follows: John Humphries, CFE, ASA, MAAA, CISA, AES; Phillip E. McMurray, CISA, CISA, CBCP, AES; and Christine A. Browning, AFE.

We wish to express our appreciation for the courteous cooperation and assistance extended to us by the management and staff of Umialik Insurance Company during the course of this examination.

This report is respectfully submitted,



---

Cathie A. Stewart, CFE  
Examiner-in Charge  
Risk and Regulatory Consulting, LLC

---

W. David Phifer, CFE  
Chief Financial Examiner  
State of Alaska

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This report is respectfully submitted,

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Cathie A. Stewart, CPA, CFE  
Examiner-in Charge  
Risk and Regulatory Consulting, LLC



---

W. David Phifer, CFE  
Chief Financial Examiner  
State of Alaska

Umialik Insurance Company  
As of December 31, 2018  
FE 19-01

AFFIDAVIT

Tucson, Arizona )  
June 25, 2020 )  
STATE OF ARIZONA )  
COUNTY OF PIMA )

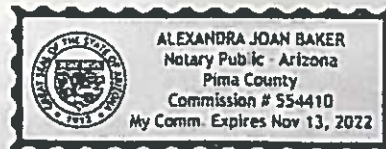
I, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2018, of Umialik Insurance Company, an Alaska-domiciled company holding Certificate of Authority #D-1322, is true to the best of my knowledge and belief.

Cathie A. Stewart  
Cathie A. Stewart, CFE  
Examiner-in-Charge  
Risk and Regulatory Consulting, LLC

Subscribed and sworn to before me this 25 day of June, 2020.

Alexandra Joan Baker  
Notary Public for the State of Arizona

My commission expires: 11/13/2022





AFFIDAVIT

Anchorage, Alaska )  
June 25, 2020 )  
 )  
STATE OF ALASKA )  
THIRD JUDICIAL DISTRICT )

I, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2020, of Umialik Insurance Company, an Alaska-domiciled company holding Certificate of Authority #D-1322, is true to the best of my knowledge and belief.



David Phifer, CFE  
Chief Financial Examiner

Subscribed and sworn to before me this 25<sup>th</sup> day of June, 2020.



Notary Public for the State of Alaska

My commission expires: with office

