

STATE OF ALASKA

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

In the Matter of the Policy Transfer )  
 Agreement between: )  
 )  
 SUNDERLAND MARINE INS. CO. LTD., )  
 (U.S. Branch) )  
 )  
 And )  
 )  
 SUNDERLAND MARINE INS. CO. LTD., )  
 (U.K. Branch) )  
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Case No. H 15-07

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND FINAL ORDER**

**BACKGROUND**

On or about May 26, 2015, Sunderland Marine Insurance Company Ltd. submitted to the Alaska Division of Insurance a request for approval of a Policy Transfer Agreement. The Policy Transfer Agreement calls for all insurance policies between the U.S. Branch of Sunderland to be transferred to the Sunderland parent company located in the U.K.

Sunderland Marine Insurance Company, Limited – US Branch (“SMI-US,” “The Company,” or “US Branch”) is a U.S. domestic branch of an alien insurer using Alaska as a state of entry pursuant to AS 21.09.310 to transact the business of insurance in the United States. SMI-US restricts its business to “Alaska” policies as determined according to its port of risk.

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Policy Transfer Agreement between Sunderland Marine (U.S.) and Sunderland Marine (U.K.)  
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The parent company of SMI-US is Sunderland Marine Insurance Company, Ltd. (“Parent Company” or “SMI”). SMI is an alien insurer domiciled in the United Kingdom admitted as an alien surplus lines carrier in the United States. The Parent is a member of The North of England P&I Association, a member organization limited by guarantee without capital stock. SMI was founded in Sunderland, England, in 1882, as a marine mutual hull club. It currently operates in the United Kingdom and locations around the world, including Canada, South Africa, Australia, Europe, South America, New Zealand and the United States.

The US Branch was admitted in Alaska on February 23, 1996, and is authorized to write marine, wet marine, transportation and risks incidental to marine insurance including protection and indemnity. The US Branch is only licensed in Alaska and does not hold a certificate of authority in any other state. The Parent Company met the requirements of the NAIC International Insurance Department to operate in the United States on a surplus lines basis. It is currently listed in the NAIC Quarterly List of Alien Insurers and continues to meet the requirements of the NAIC.

The US Branch’s primary administrative, investment management, claims, and premium processing functions are performed in the Durham, UK, offices of SMI. The US Branch’s underwriting functions are performed by two separate managing general agents wholly-owned by SMI: Salvus Bain Management located in Seattle, Washington and Harlock Murray Underwriting located in Vancouver, Canada.

The US Branch focuses on risks related to the fishing industry, primarily insuring small to medium-sized fishing boats. Hull and machinery (H&M) coverage accounted for

approximately two-thirds of 2014 direct written insurance premiums, while protection and indemnity (P&I) coverage accounted for remaining one-third direct written premiums.

SMI and SMI-USA propose to transfer all the insurance policies of SMI-US to its parent company, SMI. On or about May 26, 2015, Sunderland Marine Insurance Company Ltd. submitted to the Alaska Division of Insurance a request for approval of a Form D Statement and Policy Transfer Agreement. The Division performed a statutory review of the Policy Transfer Agreement and determined that the application was complete as of September 22, 2015.

Under the authority of AS 21.06.180, AS 21.69.610(b), and AS 21.69.620(a), a Notice of Hearing, H 15-07, dated October 6, 2015 was published for the purpose of receiving public comments on the proposed policy transfer.

A hearing on the proposed policy transfer was held on October 28, 2015 at the Division offices in Anchorage, Alaska. Maxine Froemling, Chief Financial Examiner with the Division, conducted the hearing on behalf of the director of the division. Richard Foster, Insurance Financial Examiner II for the Division, appeared at the hearing as Financial Examination Section representative and provided a summary of the Division's statutory review of the Policy Transfer Agreement. Also present at the hearing were John Dearie, Lee Williamson, and John Emmanuel on behalf of Sunderland Marine Insurance Co. Ltd. and Erin Egan, Assistant Attorney General and assigned counsel to the Division.

There were no individuals appearing at the hearing in opposition to the proposed policy transfer.

## FINDINGS OF FACT

1. Sunderland Marine Insurance Company, Limited – US Branch (“SMI-US,” “The Company,” or “US Branch”) is a U.S. domestic branch of an alien insurer using Alaska as a state of entry pursuant to AS 21.09.310 to transact the business of insurance in the United States. SMI-US restricts its business to “Alaska” policies as determined according to its port of risk.
2. Sunderland Marine Insurance Company, Ltd. (“Parent Company” or “SMI”) is the parent company of SMI-US. SMI is an alien insurer domiciled in the United Kingdom admitted as an alien surplus lines carrier in the United States. The Parent is a member of The North of England P&I Association, a member organization limited by guarantee without capital stock. SMI was founded in Sunderland, England, in 1882, as a marine mutual hull club. It currently operates in the United Kingdom and locations around the world, including Canada, South Africa, Australia, Europe, South America, New Zealand and the United States.
3. SMI and SMI-USA propose to transfer all the insurance policies of SMI-US to its parent company, SMI .
4. On or about May 26, 2015, Sunderland Marine Insurance Company Ltd. submitted to the Alaska Division of Insurance a request for approval of a Form D Statement and Policy Transfer Agreement. The Policy Transfer Agreement calls for all insurance policies between the U.S. Branch of Sunderland to be transferred to the Sunderland parent company located in the U.K. The Division performed a statutory review of the

Policy Transfer Agreement and requested changes to the Notice of Transfer to all policyholders of SMI-US. The Division determined that the application was complete as of September 22, 2015 after the policyholder notice was revised and the filing fee was received.

5. The Policy Transfer Agreement calls for all policies (and related obligations of those policies) currently held by SMI-US to be transferred to SMI, the parent company.
6. On October 23, 2015, the Policy Transfer Agreement was approved by a vote of the sole member of SMI-US.
7. Under the authority of AS 21.06.180, AS 21.69.610(b), and AS 21.69.620(a), a Notice of Hearing, H 15-07, dated October 6, 2015 was published for the purpose of receiving public comments on the proposed policy transfer.
8. A hearing on the proposed policy transfer was held on October 28, 2015 at the Division offices in Anchorage, Alaska. Maxine Froemling, Chief Financial Examiner with the Division, conducted the hearing on behalf of the director of the division. Richard Foster, Insurance Financial Examiner II for the Division, appeared at the hearing as Financial Examination Section representative and provided a summary of the Division's statutory review of the Policy Transfer Agreement. Also present at the hearing were John Dearie, Lee Williamson, and John Emmanuel on behalf of Sunderland Marine Insurance Co. Ltd. and Erin Egan, Assistant Attorney General and assigned counsel to the Division. There were no individuals appearing at the hearing in opposition to the proposed policy transfer.

9. The Division has reviewed the Form D Statement and Policy Transfer Agreement and has found after reviewing the information and documentation provided in support of the proposed transaction, that

(a) the terms of the agreement are fair and reasonable;

(b) any charges and fees for services performed are reasonable;

(c) any expenses incurred or payment received will be allocated to the insurer in conformity with customary insurance accounting practices consistently applied;

(d) the books, accounts, and records will continue to be maintained by the Parent Company and shall disclose clearly and accurately the nature and details of the proposed transaction including any information necessary to support the reasonableness of any charges or fees;

(e) any surplus as regards policyholders following any dividends or distributions to shareholder affiliates or performance under a material transaction with an affiliate shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs; and

(f) the transaction will not adversely affect the interests of the policyholders.

#### CONCLUSIONS OF LAW

1. SMI filed the statement required by AS 21.22.085 with the Alaska Division of Insurance. The statement filed under oath by SMI contained all information for proper determination of approval required of AS 21.22.080 and AS 21.69.620.
2. In compliance with AS 21.69.620(c), a plan of agreement for policy transfer was submitted to The North of England Protecting and Indemnity Association Limited, as

the sole administrative member of SMI, by proper and reasonable notice in a duly called meeting, that was approved by at least two-thirds of the members of each insurer involved and voting in person or by proxy at the meeting.

3. Pursuant to AS 21.69.620(b), the Policy Transfer Agreement does not appear to be inequitable to the policyholders. The policyholders will retain their policies and it is anticipated that policyholders will see increased efficiencies as a result of the consolidation of the operations of SMI-US with its parent company, SMI. Further, it does not appear that the Policy Transfer Agreement would substantially reduce the protection or service to policyholders. As part of the Policy Transfer Agreement, policyholders are being given the option to "opt out" of the policy transfer and are being informed that if they decline to opt out of the transfer of their policy, they will lose the protection of the Alaska Guaranty Fund.
4. In reviewing the Form D Statement and Policy Transfer Agreement and supporting documentation, the Division has found no basis to disapprove the proposed transaction under AS 21.22.080 or AS 21.22.085.

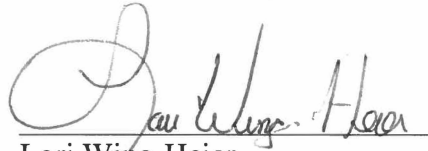
#### ORDER

IT IS HEREBY ORDERED, pursuant to the provisions of AS 21.69.620 and the requirements of AS 21.22.080, that the Policy Transfer Agreement between the U.S. Branch of Sunderland Marine Insurance Co., Ltd. and its parent company, Sunderland Marine Insurance Co., Ltd. (U.K.) is APPROVED as filed, and that the Policy Transfer Agreement be effectuated.

IT IS FURTHER ORDERED, that SMI shall file with the State of Alaska Division of Insurance a copy of all final documents pertaining to the Policy Transfer Agreement and any board resolutions or additional approvals regarding the Policy Transfer Agreement which are necessary to effectuate the agreement.

This Order is effective November 2<sup>nd</sup>, 2015.

DATED this 2<sup>nd</sup> day of November, 2015 at Anchorage, Alaska.

  
Lori Wing-Heier  
Director