



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Commerce, Community,
and Economic Development

DIVISION OF INSURANCE

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CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

Order FE 24-01)
In the Matter of Examination of)
ARECA Insurance Exchange)

FINDINGS OF FACT

1. A report of examination of ARECA Insurance Exchange, domiciled in the State of Alaska, has been issued by the State of Alaska, Division of Insurance, to ARECA Insurance Exchange.

2. The Report of Examination of ARECA Insurance Exchange (FE 24-01) has been transmitted to Brenda Mead, Chief Financial Officer of ARECA Insurance Exchange (Examinee), and 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 3, 2019.

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

2. The actions set forth in Finding of Fact No. 2 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 forth in Finding of Fact No. 3 to the extent she considered necessary in accordance with AS 21.06.150(b).

ORDER

IT IS ORDERED

1. Pursuant to AS 21.06.150(b)(1), the Report of Examination of ARECA Insurance Exchange (FE 18-01) is approved as filed.

2. Pursuant to AS 21.06.060, the Report of 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 28, 2025

Dated this 26th day of June, 2025 in Anchorage, Alaska.



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

Statutory Financial Examination of
ARECA INSURANCE EXCHANGE

FE 24-01

As of
December 31, 2023

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

NAIC Company Code: 16926
NAIC Group Code: N/A

FINAL REPORT:
April 23, 2025

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<DATE>

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:

ARECA Insurance Exchange (the Exchange)
703 West Tudor Road
Anchorage, AK 99503

(NAIC CoCode 16926)

SCOPE OF EXAMINATION

We have performed our full-scope, single-state examination of ARECA Insurance Exchange, covering the three-year period of January 1, 2021, through December 31, 2023. Transactions subsequent to the full-scope examination period were reviewed, where deemed appropriate. The last examination covered the period of January 1, 2018, through December 31, 2020.

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), are not included within the examination report, but separately communicated to other regulators and/or the Company.

SUMMARY OF EXAMINATION FINDINGS

There were no examination findings.

DESCRIPTION OF COMPANY

Company History

The Exchange is an Alaska-domiciled insurance company organized pursuant to Title 21, Chapter 75 of the Alaska Statutes. The Exchange is an unincorporated reciprocal exchange for assessable policies that was formed to provide workers' compensation, property, boiler and machinery, general liability, and automotive liability insurance to members of the Alaska Power Association (APA), formerly known as the Alaska Rural Electric Cooperative Association. ARECA Insurance Management, Inc. (AIM) is the wholly-owned attorney-in-fact for the Exchange. The Exchange received a Certificate of Authority (D-1530), from the State of Alaska on December 30, 1983, authorizing it to transact the business of property, casualty, surety, boiler and machinery, marine and transportation, and health insurance. As of December 31, 2023, the Exchange was licensed only in Alaska.

Management and Control

The Exchange is an unincorporated association of subscribers that insure the other subscribers in the Exchange. Membership in the Exchange is effective following the execution and approval of a subscriber's agreement between the Exchange and each member. Each subscriber has a contingent assessment liability, as provided in the subscriber's agreement, for payment of actual losses and expenses incurred while the subscriber's policy was in force. Subscribers may be required to make contributions to the Exchange's surplus from time to time as required by the Trustees in order to maintain adequate levels of surplus. Pursuant to the bylaws, no single subscriber shall be assessed an aggregate liability in any one calendar year in excess of an amount equal to the direct premiums for such a policy during the year.

The Exchange has a subscribers' advisory committee (Board of Trustees) that consists of one person selected by the governing body of each member. The Board of Trustees elects the Chairman of the Board of Trustees, and any other officers as the business of the Exchange may require. Following is a list of officers so elected or appointed for the Exchange as of December 31 of each year covered by this examination, as reported in the minutes of the Board of Trustees.

NAME	TITLE	December 31,		
		2021	2022	2023
Henry Strub	Chairman	X	X	X
Jodi Mitchell	Vice Chairman	X	X	X
Martin Shroyer	Treasurer	X	X	
Mark Hamm	Treasurer			X
Crystal Enkvist	Secretary	X	X	X

Pursuant to the management agreement dated December 16, 1983, the affairs of the Exchange are handled by the attorney-in-fact, AIM, which is a wholly owned subsidiary of the Exchange. A Services Contract between the Exchange and the Alaska Power Association, dated February 26, 2014, requires that the attorney-in-fact receive reimbursement of proportionate employee costs from the Exchange.

Pursuant to the bylaws of AIM, the attorney-in-fact shall have seven directors from the members of the governing bodies of the subscribers of the Exchange, and no subscriber shall provide more than one director. Any subscriber credited with more than 20% of the capital and surplus of the Exchange shall be entitled to designate one director to the Board of Directors of the attorney-in-fact.

Related Party Activity

Conflict of Interest

The Exchange 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. They are submitted to the Company's Secretary and reviewed by the Board of Trustees for the resolution of any potential conflict. These statements identify any material interest or affiliation that may conflict with the duties of such person on behalf of the Exchange.

Territory and Plan of Operation

The Exchange is authorized to transact the following lines of business: property, casualty, surety, boiler and machinery, marine and transportation, and health insurance policies. As of December 31, 2023, it was licensed only in Alaska. The Exchange's marketing strategy utilizes management's contacts in the Alaska electric utility industry, its specialization in insuring the electric industry, and competitive pricing to increase the number of subscribers.

Based on the lines of business for which the Exchange is licensed, and pursuant to the requirements of AS 21.09.070, the Exchange is required to maintain minimum policyholders' surplus of \$4,125,000.

Reinsurance

The Exchange has reinsured its cumulative and individual risks through excess-of-loss per-occurrence and facultative reinsurance agreements through placements with various reinsurers.

As of December 31, 2023, the Exchange had a maximum retention per-occurrence of \$500,000 on workers' compensation, automobile liability, and general liability risks. Automobile liability and general liability risks were reinsured up to \$10,000,000 in losses, and workers' compensation risks were reinsured up to \$40,000,000 in losses. The commercial umbrella liability is reinsured 100% up to \$10,000,000, and directors, officers, and managers liability was reinsured 100% up to \$20,000,000. Cyber liability was 100% reinsured up to \$3,000,000. For property risks, the Exchange had a \$750,000 retention on property, including earthquake, flood, and terrorism. Excess-of-loss property reinsurance (including earthquake, flood, and terrorism) covers 100% of losses up to \$50,000,000 excess of \$750,000. The hydro dam structures had a split retention with 45% excess \$1,000,000 and 55% excess \$750,000, with a reinsurance limit up to \$50,000,000. Equipment breakdown had a split retention with 45% excess of \$150,000 and 55% excess of \$750,000, and also reinsured excess of the retention up to \$50,000,000.

The Exchange does not assume any reinsurance.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Exchange with the Alaska Division of Insurance and present the financial condition of the company for the period ending December 31, 2023. The accompanying comments on the financial statements should be considered an integral part of the financial statements.

FINANCIAL STATEMENTS
STATEMENT OF ASSETS, LIABILITIES and SURPLUS
As of December 31, 2023

	As Reported 12/31/2023
<u>Assets</u>	
Bonds	\$ 28,985,809
Common stocks	1,914,321
Properties occupied by the company	175,101
Properties held for the production of income	209,405
Cash, cash equivalents and short-term investments	1,827,546
	<hr/>
Total cash and invested assets	33,112,182
	<hr/>
Investment income due and accrued	191,552
Uncollected premiums and agents' balances in the course of collection	19,496
Deferred premiums, agents' balances and installments booked but deferred	126,533
Amounts recoverable from reinsurers	105,984
Other amounts receivable under reinsurance contracts	231,674
Current federal income tax recoverable	10,000
	<hr/>
Total Admitted Assets	\$ 33,797,420
	<hr/>
<u>Liabilities, Surplus, and Other Funds</u>	
<u>Liabilities</u>	
Losses	\$ 5,079,862
Loss adjustment expenses	896,050
Commissions payable, contingent commissions and other charges	
Other expenses	376,838
Taxes, licenses and fees	41,733
Unearned premiums	455,532
Advance premium	
Ceded reinsurance premiums payable	
Payable to parent, subsidiaries and affiliates	116,365
Aggregate write-ins for liabilities	74,661
	<hr/>
Total Liabilities	\$ 7,041,041
	<hr/>
<u>Surplus</u>	
Aggregate write-ins for other-than-special surplus funds	207,895
Unassigned funds	26,548,485
	<hr/>
Total surplus	\$ 26,756,380
	<hr/>
Total Liabilities and Surplus	\$ 33,797,421
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FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS
As of December 31, 2023

	As Reported 12/31/2023
<u>Underwriting Income</u>	
Premiums earned	\$ 4,057,991
<u>Deductions</u>	
Losses incurred	\$ 477,220
Loss adjustment expenses	664,358
Other underwriting expenses incurred	1,675,115
Total underwriting deductions	\$ 2,816,693
Net underwriting gain or (loss)	\$ 1,241,298
<u>Investment Income</u>	
Net investment income earned	\$ 813,098
Net realized capital gains	102,832
Net Investment gain or (loss)	\$ 915,930
<u>Other Income or (Loss)</u>	
Aggregate write-ins for miscellaneous income	101,959
Net Other Income or (loss)	\$ 101,959
Net income before federal income tax	\$ 2,259,187
Federal income taxes incurred	-
Net income (loss)	\$ 2,259,187

FINANCIAL STATEMENTS
RECONCILIATION OF CAPITAL AND SURPLUS
As of December 31, 2023

	Gross Paid-in and Contributed Surplus	Surplus Allocated to Policyholders	Unassigned Surplus (Deficit)	Total Policyholders' Surplus
Balance at December 31, 2020	\$ 225,893	\$ -	\$ 24,292,247	\$ 24,518,140
Net income - 2021			661,828	661,828
Change in net unrealized capital gains			208,859	208,859
Change in non-admitted assets			(360,411)	(360,411)
Change in net deferred income tax			55,520	55,520
Transfers to surplus				-
Prior year gain allocated to policyholders				-
Surplus paid to policyholders			(500,000)	(500,000)
Surplus paid to discontinued policyholders				-
Other adjustments				-
Balance at December 31, 2021	\$ 225,893	\$ -	\$ 24,358,043	\$ 24,583,936
Net income (loss) - 2022			104,234	104,234
Change in net unrealized capital gains			(235,435)	(235,435)
Change in non-admitted assets			294,360	294,360
Change in net deferred income tax			(62,584)	(62,584)
Transfers to surplus				-
Prior year gain allocated to policyholders				-
Surplus paid to policyholders			(100,000)	(100,000)
Surplus paid to discontinued policyholders	(29,140)			(29,140)
Balance at December 31, 2022	\$ 196,753	\$ -	\$ 24,358,618	\$ 24,555,371
Net income - 2023			2,259,187	2,259,187
Change in net unrealized capital gains			137,332	137,332
Change in non-admitted assets			(43,157)	(43,157)
Change in net deferred income tax			36,506	36,506
Surplus paid to policyholders			(200,000)	(200,000)
Surplus paid to discontinued policyholders	11,142			11,142
Reclassification adjustments				-
Balance at December 31, 2023	\$ 207,895	\$ -	\$ 26,548,486	\$ 26,756,381

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

No adjustments to the financial statements filed as of December 31, 2023, were made to surplus as a result of the examination.

COMMENTS ON FINANCIAL STATEMENTS

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

SUBSEQUENT EVENTS

There were no subsequent events that occurred between the end of the valuation period of this examination and the date of this report to be of significance for comment.

SUMMARY OF RECOMMENDATIONS

There were no examination findings.

CLOSING

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

In addition to the undersigned, the following examiners from the Alaska Division of Insurance participated in the examination: Kevin Richard, Insurance Financial Examiner II. Contract examiners from Risk & Regulatory Consulting, LLC. who also participated in the examination include: Jan Moenck, CFE; Scott Merkord, FCAS, MAAA, CPCU; Lauren Cavanaugh, FCAS, MAAA; and Taylor Phillips, CPA, CFE.


Note on Examiner-in-Charge

Taylor Phillips, CPA, CFE, initially served as the Examiner-in-Charge throughout the course of this examination. The examination affidavit and final report submission were reviewed and signed by Jan Moenck, CFE, the Supervising Examiner, who provided oversight throughout the examination process.

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

This report is respectfully submitted,

Jan Moenck, CFE
Examiner-in Charge
Risk and Regulatory Consulting, LLC



David Phifer, CFE
Chief Financial Examiner
State of Alaska

CLOSING

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This report is respectfully submitted,



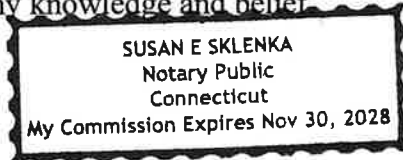
Jan Moenck, CFE
Examiner-in Charge
Risk and Regulatory Consulting, LLC

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

AFFIDAVIT

Farmington, CT)
June 19, 2025)
State of Connecticut)

I, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2023, of ARECA Insurance Exchange, an Alaska-domiciled company holding Certificate of Authority #D-1530, is true to the best of my knowledge and belief.



Jan Moenck, CFE
Examiner-in-Charge
Risk and Regulatory Consulting, LLC

Subscribed and sworn to before me this 19th day of June, 2025.



Notary Public for the State of Connecticut

My commission expires: November 30, 2028

AFFIDAVIT

Anchorage, Alaska)
June 18, 2025)
STATE OF ALASKA)
THIRD JUDICIAL DISTRICT)

I, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2023, of ARECA Insurance Exchange, an Alaska-domiciled company holding Certificate of Authority #D-1530, is true to the best of my knowledge and belief.

David Phifer

David Phifer, CFE
Chief Financial Examiner
State of Alaska

Subscribed and sworn to before me this June day of 18th, 2025.

John Blankenship

Notary Public for the State of Alaska

My commission expires: with office

