



REGULATORY ORDER NO. R 21-06

**ORDER AUTHORIZING PLACEMENT OF WORKERS' COMPENSATION
COVERAGE WITH A NONADMITTED INSURER**

Background:

1. Alaska Statute (AS) 21.34.030 states that workers' compensation coverage may be placed in and written by a nonadmitted insurer if
 - a. the director considers it in the best interest of the public and issues an order to that effect;
 - b. the insurance is written in accordance with AS 21.34;
 - c. the conditions for writing workers' compensation in the nonadmitted market receive compliance;
 - d. the rates and rating plans have been filed by the surplus lines broker as may be required by AS 21.39;
 - e. the surplus lines broker's activities related to placement of the insurance with a nonadmitted insurer comply with AS 21.34; and
 - f. the nonadmitted insurer has minimum capital and surplus that is two times that required by AS 21.34.040(c)(1).
2. Nana Regional Corporation, Inc. sought workers' compensation maritime employer's liability coverage in Alaska.
3. The surplus lines brokerage firm ("broker"), Arthur J Gallagher Risk Management Services Inc., licensed under AS 21.27, provided documentation showing that a diligent search had been conducted and that the required coverage, maritime employer's liability with limits of \$1,000,000, was not available in the admitted market.
4. Lloyd's syndicates Markel (Syndicate #3000), Liberty Marketing Specialties (#4018) Syndicate NEO (#2468), and Syndicate AAL (#2012) (collectively "syndicates") are willing to provide maritime employer's liability coverage with \$1,000,000 limits.
5. The surplus lines broker provided evidence that the Lloyd's syndicates were unwilling to provide the information necessary for the surplus lines broker to make the necessary filing of rates under AS 21.39.
6. Alaska Statute (AS) 21.39.040(f) allows the director by order to suspend or modify the requirements of AS 21.39 on a kind of insurance, subdivision or combination of them, or

on classes of risks, for which rates cannot practicably be filed before they are used or the filing and approval of which, in the director's opinion, are not desirable or necessary for the protection of the public.

7. The Lloyd's syndicates meet the criteria established by the NAIC concerning shareholders' equity funds, U.S. trust accounts, and character, trustworthiness, and integrity to be listed in the most recent Quarterly Listing of Alien Insurers.

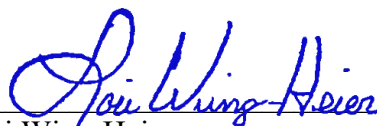
The Director of the Division of Insurance finds:

- A. Workers' compensation insurance, including maritime employer's liability, is best purchased in the admitted market for the protection of the insured employer and their employees, including the availability of protection from the Alaska Insurance Guaranty Association.
- B. The \$100,000 limit available through the assigned risk plan may not provide the employer with adequate coverage for the employer's exposure to potential claims under the maritime employer's coverage.
- C. Rate filing, as required under AS 21.39, for Nana Regional Corporation, Inc. to obtain maritime employer's liability coverage is not necessary for the protection of the public. Suspending the rate filing requirement also allows the insured to obtain necessary insurance coverage for itself and its employees.
- D. The Division compared pricing with other similar coverage and the rates for the Lloyd's policy with a \$1,000,000 maritime employer's liability limit do not appear to be excessive, inadequate, or unfairly discriminatory.
- E. AS 21.34.030(d) requires a nonadmitted insurer to have minimum capital and surplus that is two times that required in AS 21.34.040(c)(1). AS 21.34.040(c)(1) requires the insurer to have the minimum unimpaired basic capital and additional surplus equal to that required in its domiciliary jurisdiction or maintain \$15,000,000, whichever is greater. The minimum requirement of the domiciliary jurisdiction applies to the Society of Lloyd's overall, and not at the syndicate level, so the amount "required in its domiciliary jurisdiction" under AS 21.34.040(c)(1) is incapable of being determined.
- F. AS 21.34.040(f) provides that if an insurer has less than the minimum capital and surplus required in (c) of this section, the insurer may satisfy the requirements of this section upon an affirmative finding of acceptability by the director. All four syndicates meet the requirement of AS 21.34.040(c)(7), however, the specific requirement the syndicates must meet, as established by AS 21.34.030(d), is (two times) that required by AS 21.34.040(c)(1). Since compliance with AS 21.34.040(c)(1) is incapable of being determined, after consideration of the Lloyd's syndicates' quality and management; the equivalent of capital and surplus available to the syndicates' policyholders as a result of Lloyd's capital structure and the syndicates' U.S. Trust Funds; and the other factors identified under AS 21.34.040(f), as director, I make an affirmative finding of acceptability of the syndicates' minimum capital and surplus under AS 21.34.040(c)(1).

The Director of the Division of Insurance Hereby Orders:

1. Under the authority of AS 21.34.030, the director authorizes Arthur J Gallagher Risk Management Services Inc. to place Maritime Employer's Liability coverage for Nana Regional Corporation, Inc. with Lloyd's syndicates Markel, Liberty, Neo, and AAL for the period from June 1, 2020 to , June 1, 2022 only.
2. Under the authority of AS 21.39.040(f), the director suspends the rate filing requirements for the subject placement of \$1,000,000 limits maritime employer's liability.
3. The surplus lines broker will comply with all reporting requirements, notification requirements, evidence of insurance requirements, tax and fee collection and payment requirements and other applicable provisions of AS 21.34 relating to the placement of this coverage with a nonadmitted insurer.
4. The surplus lines broker must keep records to be used to show that the premium complies with AS 21.39, including the expense provision (commission, other acquisition costs, general expenses, taxes, profit), loss and loss adjustment experience, exposure, and any other items necessary to calculate the rate and to demonstrate that the rates and rating plan result in rates that are neither excessive, inadequate nor unfairly discriminatory as required by AS 21.39.030(a)(1).

This order is effective September 24, 2021.



Lori Wing-Heier
Director