

STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
PO BOX 110805
JUNEAU, AK 99811-0805

Order # TA 24-05)
In the Matter of Audit of)
CRC Insurance Services LLC)
_____)

FINDINGS OF FACT

1. An audit report of CRC Insurance Services LLC, licensed in the State of Alaska, has been issued by the State of Alaska, Division of Insurance to CRC Insurance Services LLC.
2. The audit report of CRC Insurance Services LLC (TA 24-05) has been transmitted to Robert Greenebaum, Compliance Officer, CRC Insurance Services LLC (Auditee), and Auditee has been accorded at least 30 days' opportunity to review and comment on this audit report.
3. The director of the Division of Insurance has fully considered and reviewed the report and any relevant portions of the auditor's work papers to the extent she considered necessary.

CONCLUSIONS OF LAW

1. The written audit report 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 audit report 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 audit report of CRC Insurance Services LLC (TA 24-05) is approved as filed.

2. Pursuant to AS 21.06.060, the audit report shall be kept in the office of the director of the Division of Insurance and be open to public inspection.

This order is effective March 10th, 2025.

Dated this 10th day of March, 2025 at Juneau, Alaska.

DocuSigned by:
Lori Wing-Heier
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Lori Wing-Heier, Director
State of Alaska
Division of Insurance

PREMIUM TAX AUDIT OF

CRC Insurance Services LLC

Birmingham, AL 35209

Alaska License # 11142

TA 24-05

As of June 30, 2024

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



**FINAL REPORT:
March 10, 2025**

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March 10, 2025

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

Pursuant to Alaska Statute (AS) 21.06.120, the Alaska Division of Insurance performed a limited and targeted premium tax audit of CRC Insurance Services LLC. The audit was conducted by Rebecca Nesheim, tax auditor for the Alaska Division of Insurance.

CRC Insurance Services LLC

SCOPE OF AUDIT

This premium tax audit was called to review compliance with the surplus lines statutes AS 21.34, and regulations 3 AAC 25, the premium tax regulations 3 AAC 21.550 – 570 and licensing statutes AS 21.27.350 and 21.27.810. This is the third premium tax audit of CRC Insurance Services LLC conducted by the Alaska Division of Insurance (the division).

Subject Matters Audited

CRC Insurance Services LLC (the broker) is an Alaska licensed surplus lines broker based in Birmingham, AL. The division elected to audit their quarterly filings, premium taxes and filing fees paid for accuracy and timeliness as well as required diligent search efforts, disclosures, notifications, and prompt delivery of material facts in evidence of insurance to the insured.

Time Frame

The audit covered the broker's surplus lines business for policy effective dates occurring between and including July 1, 2022 and June 30, 2024.

METHODOLOGY

The division sent the call letter and initial data requests to the broker's office in Birmingham, AL. A list of all Alaska business transactions with nonadmitted insurers was requested for the period to be audited. The broker complied on a timely basis with all data requests. The number of policies written during the audit period was 1,215, from which a sample of 50 files were selected for audit.

The following are the procedure steps for the audit:

- 1) Verify that quarterly reports and accompanying forms were filed on time.
 - i) Audit steps taken:
 - (1) Reviewed the quarterly reports sent to the Alaska Division of Insurance and verified they were filed by the due date.
- 2) Verify the accuracy of the premium calculation.
 - i) Audit steps taken:
 - (1) Reviewed policy, binders, and invoices to determine how taxable premium was calculated.
 - (2) Verified the correct premium was reported on the reports as filed.
- 3) Verify the accuracy of quarterly reports filed.
 - i) Audit steps taken:
 - (1) Reviewed the policy, binder, and endorsement pages in each file.
 - (2) If the effective date did not match the quarterly filing, reviewed the correspondence to ensure the documentation in the file matched when the policy was booked. Most of these occurred with endorsements that often require additional information and sometimes company approval before it can be added to the policy. The invoice date determines in which quarter the endorsement is required to be filed.
 - (3) Verified the quarterly reports as filed with the division were accurately filled out to reflect the correct effective date, premiums, taxes and fees based upon the information in the files.
 - (4) Verified the policy was included in the quarterly filing based upon the effective date of the policy.
 - (5) Verified the insured name, insured address, insurance company, producer names and license numbers were accurate on the forms filed.
 - (6) Verified the descriptions of the subject and locations of risk were identified on the reports.
- 4) Verify if tax and filing fee payments were made on time and by ACH.
 - i) Audit steps taken:
 - (1) Confirmed when the payments were received by the Alaska Division of Insurance and the payment method.
- 5) Verify tax and filing fee payments were made accurately.
 - i) Audit steps taken:
 - (1) Confirmed if the tax and fee payments matched the quarterly reports as filed.
- 6) Confirm Alaska is the home state of the insured.
 - i) Audit steps taken:
 - (1) Verified where the principal place of business or residence of the insured is located.

- (2) Verified at least partial risk is located in Alaska or the highest % of premium in Alaska if headquarters not in Alaska with no risk in the headquarters state or in the case of individuals, the residence state.
- 7) Review effort made to place insured with an admitted insurer.
 - i) Audit steps taken:
 - (1) Verified the diligent search was documented prior to binding and received within 15 days from binding. If there were no declinations due to risk on the placement list, the list effective at the time of placement was reviewed to ensure the risk was on the list
- 8) Review prompt delivery of evidence of insurance AS 21.34.100(a) and 3 AAC 25.060.
 - i) Audit steps taken:
 - (1) Reviewed dates of binding and forwarding of evidence of insurance to insured.
- 9) Review required material facts are located on evidence of insurance AS 21.34.100(a).
 - i) Audit steps taken:
 - (1) Reviewed documents to confirm required material facts were located on the evidence of insurance when policy not available within 30 days of binding.
- 10) Review disclosures for use of non-admitted insurer.
 - i) Audit steps taken:
 - (1) Reviewed the evidence of insurance to ensure the broker's name and language required by statute AS 21.34.100(e) is present and legible and at least 10-point type.
- 11) Review notifications for use of non-admitted insurer.
 - i) Audit steps taken:
 - (1) Reviewed the correspondence and other documentation in the files to find a copy of the notification sent to the insured that meets the requirement in AS 21.34.110
- 12) Confirm coverage is placed with an eligible non-admitted insurer.
 - i) Audit steps taken:
 - (1) Reviewed the Alaska published white lists and NAIC Quarterly Listings of Alien Insurers to ensure the company was eligible at the time of placement.
- 13) Review notice regarding nonrenewal and premium increase
 - i) Audit steps taken:
 - (1) Verified there was an Alaska Policyholder Notice regarding nonrenewal and premium increase included with the policy in the format approved by the Director of the Alaska Division of Insurance.
- 14) Other issues not previously identified as a procedure step were included when not in compliance with Alaska laws.
 - i) Audit steps taken:
 - (1) Reviewed documents to ensure other surplus lines statutes and regulations requirements were met.

Acceptable Error Rate:

The Broker's acceptable error rate for the above referenced standards and tests must be less than 10%.

PREMIUM TAX AUDIT

- | |
|---|
| 1. Verify quarterly reports and accompanying forms were filed on time
AS 21.34.080 and .170, 3 AAC 25.090 and .100 |
|---|

Comments: There were eight original quarterly reports with accompanying forms and two annual tax reports filed for the audit period. The 2nd quarter 2024 report was filed late. A late filing penalty was assessed prior to the audit.

Results: Failed (9 reports passed & 1 failed, error rate 10%)

Recommendations: It is recommended the broker ensure their Alaska specific procedures are followed. The due dates are in the procedures.

The Broker's Response: CRC Surplus Lines Tax has implemented a secondary review to ensure that all filings are completed timely and before the deadline. In this particular instance, the filing was one business day late, as the tax filer was new to the state and had an incorrect date for when the tax filing was due. There are now protocols in place to ensure this does not happen again.

- | |
|---|
| 2. Verify the accuracy of the premium calculation
AS 21.34.180 |
|---|

Comments: The premium was calculated incorrectly for one policy in the audit files. This will need to be amended on the report.

This error affect two additional audit tests:

1. Accuracy of the Quarterly Reports
2. Accuracy of Tax and Fee Payments

Results: Passed (49 files passed & 1 failed, error rate 2%)

Recommendations: It is recommended the broker ensure their Alaska specific written procedures are followed to ensure all fees are identified as taxable or nontaxable.

The Broker's Response: Passed, but will continue to monitor for accuracy.

- | |
|---|
| 3. Verify the accuracy of all quarterly reports filed
AS 21.34.080 and .170, 3 AAC 25.090 and .100 |
|---|

Comments: Multiple errors were noted on the Report of Surplus Lines Transaction forms and Quarterly Reports filed with the division:

- Insured address incorrect – 1
- Location of risk – other states that were part of the risk were not identified correctly – 3
- Incorrect Insurance company identified – 3
- Invoice date of endorsement incorrect – 1
- Missing Lloyd's syndicates until the division requested them – 1

- Incorrect tax exempt status – 1

Total accuracy errors: 10 within 7 distinct files

For the two-year audit period, there were 22 amended reports and 172 errors amongst all the reports filed. It takes hours for the division staff to identify the problems, write up the issues, and confirm the corrections with each subsequent report filed.

Results: Failed (43 files passed & 7 failed, error rate 14%)

Recommendations: It is recommended the broker ensure their Alaska specific written procedures are followed. The procedures include what data is entered into each field. A second individual reviewing documents before submission should reduce the number of errors received by the division.

The Broker's Response: CRC Surplus Lines tax has implemented a secondary review to ensure that all premium is correct. Should the premium be incorrect, the policy file will be sent back to the CRC Insurance producer to correct the invoice and policy file. CRC Surplus Lines will also work closely with the CRC Internal Review team to ensure that all data is accurate.

4. Verify if tax and filing fee payments were made on time and by ACH

AS 21.34.180, AS 21.34.190, 3 AAC 21.550 - .570

Comments: There were eight original quarterly payments, two annual tax payments and one amended report filed with payment due during the audit period. The 2nd quarter 2024 report was paid late. A late payment penalty was assessed prior to the audit.

Results: Passed (10 payments passed & 1 failed, error rate 9%)

Recommendations: It is recommended the broker ensure their Alaska specific procedures are followed. The due dates are in the procedures.

The Broker's Response: Passed, but will continue to monitor for accuracy.

5. Verify tax and filing fees payments were made accurately

AS 21.34.180, 3 AAC 21.550 - .570

Comments: All tax and fee payments made by the broker were accurate based upon the reports as filed. The errors found during the audit in the premium calculation and the tax exempt status of the insured affects the accuracy of the tax and fee payments. These flow-through findings are addressed in their respective audit tests.

Results: Passed (error rate 0%)

6. Verify the home state for insured is Alaska

AS 21.34.180

Comments: The broker writes some multi-state policies. The home state of the insured was evaluated for all policies and determined Alaska to be home state.

Results: Passed (error rate 0%)

7. Review diligent search effort made to place insured with an admitted insurer

AS 21.34.020, 3 AAC 25.010 and .035

Comments: The broker has elected to use the Affidavit of Due Diligence for documenting the diligent search by the producers. Three Affidavits were received from producers after 15 days from binding or no documentation was maintained in the file. The broker requires the Affidavit prior to binding to encourage the producers to provide the documentation on time but failed to follow their procedures.

Results: Passed (47 files passed & 3 failed, error rate 6%)

Recommendations: It is recommended the broker ensure their Alaska specific written procedures are followed to receive all Affidavits of Due Diligence prior to binding. Otherwise, at least ensure the Affidavits are received no later than 15 days from binding.

The Broker's Response: Passed, but will continue to monitor for accuracy.

8. Review prompt delivery of evidence of insurance

AS 21.34.100(a) and 3 AAC 25.060

Comments: One policy file shows the first evidence of insurance was sent after the required 30 days from binding date.

Results: Passed (49 files passed & 1 failed, error rate 2%)

Recommendations: It is recommended the broker modify Alaska specific written procedures to include the requirement the first evidence of insurance must be provided to the insured within 30 days from binding.

The Broker's Response: Passed, but will continue to monitor for accuracy.

9. Review required material facts located on evidence of insurance

AS 21.34.100(a)

Comments: One file was missing all required material facts on the binder and policy. If the binder was missing facts, the policy sent within the 30 days from binding was evaluated.

Results: Passed (49 files passed & 1 failed, error rate 2%)

Recommendations: It is recommended the broker modify Alaska specific written procedures to include what material facts regarding the coverage, insured, insurer, and broker must be on evidence of insurance. Review statute for details.

The Broker's Response: Passed, but will continue to monitor for accuracy.

10. Review disclosures on evidence of insurance for use of non-admitted insurer

AS 21.34.100(e)

Comments: Six files included problems with the required disclosure statement on the evidence of insurance. Where the insured's copy was unavailable, auditor relied upon the broker copy. Here are the different problems found in the files:

- No disclosure on dec - 1
- No disclosure on endorsement – 6

Total disclosure errors: 7 within 6 distinct files

Results: Failed (44 files passed & 6 failed, error rate 12%)

Recommendations: It is recommended the broker ensure written procedures are followed that all evidence of insurance, including endorsements, have the required disclosure statement. The disclosure statement should be located on the first page of the evidence of insurance so the insured will not miss it, but it does meet Alaska's law to be on a separate page preferably at the front and not buried in the evidence of insurance.

The Broker's Response: Similar to the response to Item 3, this has been included in our secondary review and will continue to work with the CRC Internal Review team to include this in their annual audit.

11. Review notification for use of non-admitted insurer

AS 21.34.110

Comments: The broker generally provides the notification to the insured. Two files did not have the required three points of the notification: the company does not have a certificate of authority, they are not regulated by the Alaska Division of Insurance and in the event of insolvency losses will not be covered by the Alaska Insurance Guaranty Association Act.

Results: Passed (48 files passed & 2 failed, error rate 4%)

Recommendations: It is recommended the broker modify their Alaska specific written procedures to ensure this notification section is not missed as it appears to be a footnote in the current procedures. Include that the Alaska notification language be on the quote or at the same time as the quote to the insured describing the surplus lines insurance company as required by statute.

The Broker's Response: Passed, but will continue to monitor for accuracy.

12. Confirm coverage is placed with an eligible non-admitted insurer

AS 21.34.050

Comments: All policies in the audit were placed with eligible surplus lines companies.

Results: Passed (error rate 0%)

13. Review notice regarding nonrenewal and premium increase

3 AAC 25.050

Comments: Six policies did not include the Alaska Policyholder Notice of premium increase and nonrenewal.

Results: Failed (44 files passed & 6 failed, error rate 12%)

Recommendations: It is recommended the broker ensure their Alaska specific written procedures are followed to include a step in the processing to confirm policies contain the Alaska Policyholder Notice. The broker should contact the insurance company to include the notice when it is missing.

The Broker's Response: Similar to the response to Item 3, this has been included in our secondary review and will continue to work with the CRC Internal Review team to include this in their annual audit.

SUMMARY AND SUBSEQUENT EVENTS

Summary

This was a premium tax audit of CRC Insurance Services LLC. The auditor tested 13 standards focusing on the broker's filing of quarterly reports and the subsequent payment of premium taxes and filing fees as well as diligent search efforts, disclosure and notification requirements for using a non-admitted insurer, and prompt delivery of material facts to the insured.

The audit was conducted in the auditor's office as she received electronic versions of the broker's files under audit. The broker responded to all requests for additional information. The auditor appreciated this behavior.

Several significant issues did arise during the audit that affects the service to the insured and compliance with Alaska statutes and regulations.

- 1) Quarterly reports are not always being filed on time.
- 2) The quarterly reports are not accurate when filed. Numerous transactions are incorrect with multiple amendments required.
- 3) Several endorsements are missing the disclosure language.
- 4) The Alaska Policyholder Notice was missing from several files.

The auditor would like to review any new or revised procedures to help the broker ensure all problems identified in the audit were captured accurately.

Re-Audit

In closing, the auditor's recommended actions and review of the procedures should help the broker correct the problems encountered. It is recommended that CRC Insurance Services LLC be re-audited within the next three years to ascertain compliance.

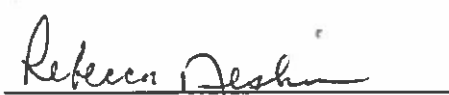
Submitted by:
Rebecca Nesheim
Tax Auditor

Affidavit

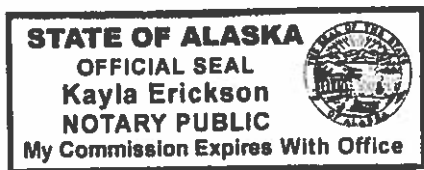
CRC Insurance Services LLC
As of June 30, 2024
TA 24-05


Juneau, Alaska)
March 10, 2025)
State of Alaska) ss.
First Judicial District)

I, being duly sworn, do verify that the report of premium tax audit as of June 30, 2024, of CRC Insurance Services LLC is true to the best of my knowledge and belief.


Rebecca Nesheim
Tax Auditor

SUBSCRIBED and SWORN to before me this 10 day of March, 2025




Notary Public in and for Alaska
My Commission Expires With office