ORDER R 93-01 AMENDING REGULATIONS OF THE DIVISION OF INSURANCE

The attached four pages of regulations, dealing with the standards that the director may consider in determining whether continued operation of an insurer may be hazardous and the accounting requirements for life reinsurance agreements for domestic life insurers of this state and other licensed life insurers not subject to similar requirements in their state of domicile, are hereby adopted and certified to be a correct copy of the regulations that the Division of Insurance amends under authority of AS 21.06.090 and after compliance with the Administrative Procedure Act (AS 44.62), specifically including notice under AS 44.62.190 and AS 44.62.200 and opportunity for public comment under AS 44.62.210.

This action is not expected to require an increased appropriation.

This order takes effect on the 30th day after it has been filed by the Lieutenant Governor, as provided in AS 44.62.180.

DATED this 29th day of January, 1993, in Juneau, Alaska.

David J. Walsh, Director of Insurance
Department of Commerce and
Economic Development

FILING CERTIFICATION

I, John B. Coghill, Lieutenant Governor for the State of Alaska, certify that on June 9, 1993, at 1:43 p.m., I filed the attached regulations according to the provisions of AS 44.62.040 -- AS 44.62.120.

Lieutenant Governor

Effective July 9, 1993.

Register 127, October 1993.

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TITLE 3. COMMERCE AND ECONOMIC DEVELOPMENT.

PART 2. DIVISION OF INSURANCE

CHAPTER 21. INSURER -- FINANCIAL.

Article 4. Definition of Standards and Director's Authority for Companies Deemed To Be in an Impaired Financial Condition

Section

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510. Standards

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3 AAC 21.510(a) is amended to read:

(a) To determine whether an insurer is impaired or in imminent danger of becoming impaired, the director will, in the director's discretion, consider one or more of the following:

(1) findings reported in financial condition and market conduct examination reports prepared by the division or another licensing jurisdiction;

(2) National Association of Insurance Commissioners' Insurance Regulatory Information System reports;

(3) the ratios of commission expense, general insurance expense, policy benefits, and reserve increases to annual premium and net investment income;

(4) whether the insurer's asset portfolio when viewed in light of current economic conditions is of sufficient value, liquidity, or diversity to assure the insurer's ability to meet its outstanding obligations as they mature;

(5) the financial condition and ability of an assuming reinsurer to perform and, after taking into account the insurer's cash flow and the classes of business written, whether the insurer's reinsurance program provides sufficient protection for the insurer's remaining surplus;

(6) whether the insurer's operating results within the last 12 months including any net capital gain or loss, a change in non-admitted assets, and cash dividends paid to shareholders, would reduce by more than 50 percent the insurer's remaining policyholder surplus held in excess of the minimum policyholder surplus required under AS 21;

(7) whether an affiliate, subsidiary, or reinsurer [HAVING A MONETARY OBLIGATION TO THE INSURER] is insolvent, threatened with insolvency, or delinquent in payment of a monetary obligation;

(8) contingent liabilities, pledges, or guaranties that, individually or collectively, involve a total amount that the director determines may affect the solvency of the insurer, if there is a substantial risk that the insurer will be called upon to meet those obligations within the next <u>60</u> [12] months;

(9) whether a controlling person of an insurer is delinquent in the transmission or payment of net premiums to the insurer;

(10) the age and collectability of receivables;

(11) whether the management of an insurer fails to respond to an inquiry of the director relative to the condition of the insurer or gives the director false or misleading information concerning an inquiry;

(12) whether the management of an insurer files a false or misleading sworn financial statement, releases a false or misleading financial statement to a lending institution or the public, makes a false or misleading entry, or omits an entry in the books of the insurer in a[N] material amount [REPRESENTING 10 PERCENT OF CAPITAL AND SURPLUS] or an amount that would place the insurer in an impaired condition as defined in AS 21.90.900;

(13) whether the insurer has grown so rapidly and to such an extent that it lacks adequate financial and administrative capacity to meet its obligations in a timely manner;

(14) whether the company has experienced or will experience in the next 60 [12] months negative cash flow or liquidity problems; or

(15) any other condition that might constitute impairment as defined in AS 21.90.900.

(Eff. 10/24/92, Register 124; am 7/9/93, Register 127)

Authority: AS 21.06.090

AS 21.09.175

Article 5. Life Reinsurance Agreements

Section

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610. Accounting requirements

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3 AAC 21.610(a)(4) is amended to read:

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(4) the ceding insurer is required to reimburse the reinsurer for negative experience under the reinsurance agreement [RESULTING IN THE ELIMINATION OF THE RISK OF LOSS TO THE ASSUMING INSURER]; for purposes of this paragraph, neither offsetting experience refunds against prior years' losses nor payment by the ceding insurer of an amount equal to prior years' losses upon voluntary termination of in-force reinsurance by the ceding insurer will be considered a reimbursement to the reinsurer for negative experience;

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(Eff. 10/21/92, Register 124; am 7/9/93, Register 127)

Authority: AS 21.06.090

AS 21.12.020