



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Commerce, Community,
and Economic Development

DIVISION OF INSURANCE
Anchorage Office

550 West Seventh Avenue, Suite 1560
Anchorage, Alaska 99501-3567
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CERTIFIED MAIL
RETURN RECEIPT REQUEST

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 20-01)
In the Matter of the Examination of)
Alaska National Insurance Company)

FINDINGS OF FACT

1. A report of examination of the Alaska National Insurance Company, domiciled in the State of Alaska, has been issued by the State of Alaska, Division of Insurance, to Alaska National Insurance Company.
2. The Report of the Examination of the Alaska National Insurance Company (FE 20-01) has been forwarded to Sara Begley, Executive Vice President, General Counsel & Chief Compliance Officer of Alaska National Insurance Company and the 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 May 19, 2021.
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 the Examination referred to in Finding of Fact No. 1 above was issued in accordance with Alaska Statute (AS) 21.06.150(b).

2. The actions set forth in Finding of Fact No. 2 above were conducted in accordance with AS 21.06.150(b).
3. The Director of the Division of Insurance has reviewed the Report of the Examination, the Examinee response, and any other relevant work papers as set forth in Finding of Fac

ORDER

IT IS ORDERED

1. Pursuant to AS 21.06.150(b)(1), the Report of the Examination of the Alaska National Insurance Company (FE 20-01) is approved as filed.
2. Pursuant to AS 21.06.060, the Report of the 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 4, /2021.

Dated this 4th day of June in Anchorage, Alaska.



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

Statutory Financial Examination of
ALASKA NATIONAL INSURANCE COMPANY

FE 20-01

As of
December 31, 2019

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

NAIC Company Code: 38733
NAIC Group Code: 4485

FINAL REPORT:
June 4, 2021

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

DIVISION OF INSURANCE

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June 4, 2021

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:

Alaska National Insurance Company (the "Company" or "ANIC")
7001 Jewel Lake Road
Anchorage, AK 99502

(NAIC CoCode 38733)

SCOPE OF EXAMINATION

We have performed our multi-state examination of Alaska National Insurance Company covering the three-year period of January 1, 2017 through December 31, 2019. The last examination covered the period of January 1, 2014, through December 31, 2016.

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

SUMMARY OF EXAMINATION FINDINGS

No comments and recommendations have been made as a result of this examination.

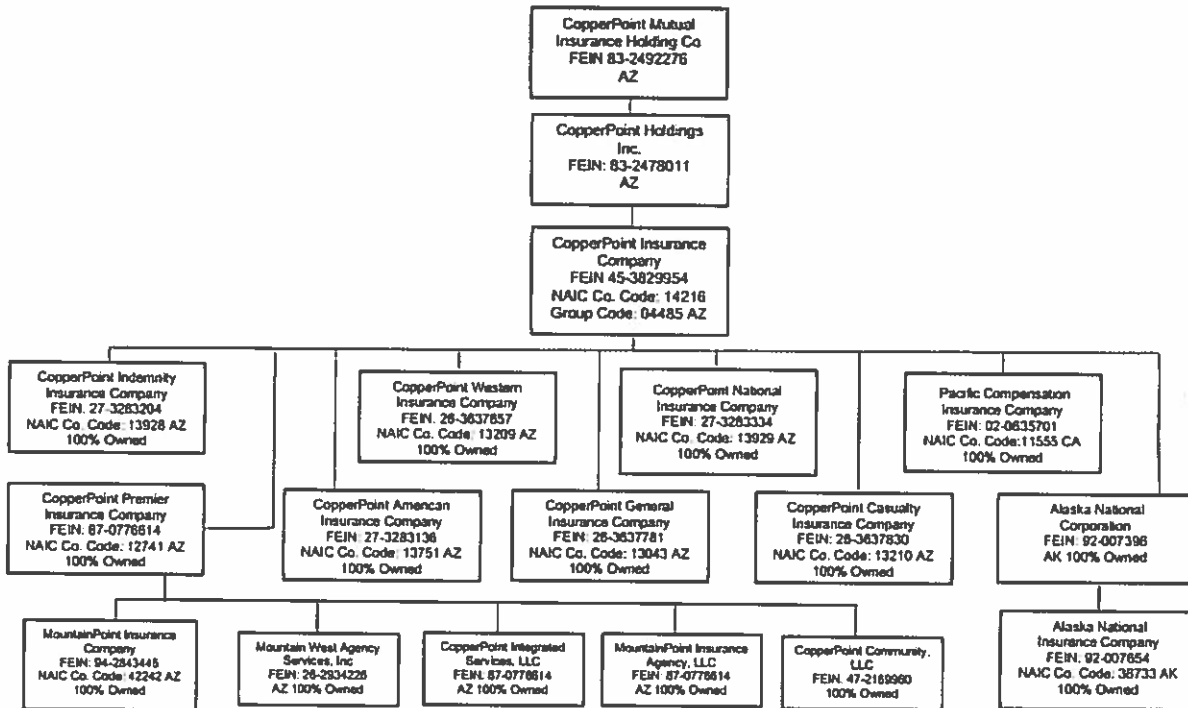
DESCRIPTION OF COMPANY

Company History

ANIC is an Alaska-domiciled stock insurance company organized pursuant to Title 21, Chapter 69 of the Alaska Statutes. The Company was incorporated on April 30, 1979 and received a Certificate of Authority (license #D-1285) from the State of Alaska effective September 30, 1980, authorizing them to transact the business of property, casualty, surety, health, maritime, wet marine, and transportation policies. The Company currently holds the same authorities. As of December 31, 2019, the Company was licensed in 26 states.

Management and Control

The Company is part of a holding company and is a wholly owned subsidiary of Alaska National Corporation ("ANC" or the "Parent"). CopperPoint Insurance Company ("CPIC") acquired all outstanding shares of ANC, effective November 29, 2019. The Company is part of the CopperPoint Group – NAIC Group Code 4485 and CopperPoint Mutual Insurance Holding Company is the ultimate parent. Below is an organization chart of the CopperPoint Group.



Corporate Governance

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled. Shareholders, management, the Board of Directors (“Board”) and Board committees are the principal players in corporate governance and are tasked with monitoring an organization’s risk management activities and with establishing a control environment. The control environment represents an organization’s first line of defense to mitigate all risks, including the risks of financial reporting errors.

The Company’s Board is responsible for the control and management of the affairs, property and interest of the Company. The Board appoints executive officers to conduct the day-to-day operations of the Company. Per corporate records, the composition of the Company’s Board of Directors and executive management consisted of the following individuals at December 31, 2019:

Board of Directors

Marc Edward Schmittlein
Sara Morrissey Begley
Virginia Arnett Caro
Mark Lynn Joos¹
Craig Lawrence Nodtvedt³
Schott Lee Shader
Richard Bruce Suddock²

Principal Occupation

President & CEO, CopperPoint Insurance Company
EVP & General Counsel, CopperPoint Insurance Company
SVP, CopperPoint Insurance Company
CFO & Treasurer, CopperPoint Insurance Company
President, Alaska National Insurance Company
EVP & COO, CopperPoint Insurance Company
Treasurer, Alaska National Insurance Company

¹ Effective July 1, 2020, Joos was replaced by Thomas Arthur Collins, Jr., EVP & CUO, CPIC.

² Effective December 1, 2020, Suddock retired and has not been replaced. Currently there are six directors.

³ Effective September 1, 2020, Nodtvedt resigned and was replaced by Dana A. Ferestien as Regional President.

Executive Officers

Marc Edward Schmittlein
Craig Lawrence Nodtvedt³
Richard Bruce Suddock⁴
Sara Morrissey Begley

Position

Chief Executive Officer
President
Treasurer
Secretary

³ Effective September 1, 2020, Nodtvedt resigned and was replaced by Dana A. Ferestien as Regional President.

⁴ Effective December 1, 2020, Suddock retired and was replaced by Anne E. Hancock as Treasurer.

Related Party Activity

Federal Tax Sharing Agreement

The Company is a party to an affiliated consolidated federal income tax agreement which became effective January 1, 2019 and added the Company to Endorsement 1, effective January 13, 2020. The agreement provides for the consolidated federal income tax filing for all wholly-owned members of the holding company system. Taxes are to be calculated and remitted as if filing on a separate return basis.

Conflict of Interest

The Company 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 Directors for resolution of any potential conflict. These statements identify any material interest or affiliation, which may conflict with the duties of such person on behalf of the Company or the Parent.

Dividends

During the period under examination, shareholder cash dividends were declared by the Company and paid as follows:

<u>Payment Date</u>	<u>Amount</u>	<u>Type</u>
January 15, 2017	\$4,500,000	Ordinary
April 15, 2017	\$4,500,000	Ordinary
July 15, 2017	\$4,500,000	Ordinary
October 15, 2017	\$4,500,000	Ordinary
December 15, 2017	\$2,000,000	Ordinary
January 15, 2018	\$5,000,000	Ordinary
April 15, 2018	\$5,000,000	Ordinary
July 15, 2018	\$5,000,000	Ordinary
October 15, 2018	\$5,000,000	Ordinary
December 21, 2018	\$4,000,000	Ordinary
January 15, 2019	\$5,000,000	Ordinary
April 15, 2019	\$5,000,000	Ordinary
July 15, 2019	\$5,000,000	Ordinary

Territory and Plan of Operation

ANIC is authorized to transact the following kinds of business: property, casualty, surety, disability, marine, wet marine, and transportation policies. As of December 31, 2019, ANIC was licensed in 26 states. Per inquiry of management, the Company does not maintain a written plan for the acquisition of business and does not employ an agency system.

Growth of the Company

The following schedule summarizes year-end balance sheet numbers for the beginning of this examination period and for the years ending December 31, 2016 through December 31, 2019. The figures are reported in the annual statements of the Company for the years 2016 through 2019:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>
2016	\$951,411,306	\$513,407,916	\$438,003,390
2017	\$1,004,700,198	\$524,384,319	\$480,315,879
2018	\$1,031,711,732	\$530,328,039	\$501,383,693
2019	\$1,063,805,415	\$515,208,675	\$548,596,740

Reinsurance

As of December 31, 2019, the Company has maximum retention of \$1 million on property, \$2 million on liability, and \$5 million on workers compensation policies. The Company has maximum excess of loss reinsurance above retention limits of \$14 million on property, \$8 million on liability, and \$170 million on workers' compensation policies. Additionally, the Company maintains catastrophic property coverage of \$74 million in excess of \$1 million.

The Company's reinsurance program has not changed significantly in the three years since the prior examination. A review of the contracts indicated that proper transfer of risk exists in accordance with criteria specified by SSAP No. 62R.

At December 31, 2019, substantially all reinsurance receivables and prepaid reinsurance premiums, net of ceded premiums payable, were due from two reinsurers, General Reinsurance and Muich American Reinsurance, rated A++ and A+ by A.M. Best Company, respectively.

All reinsurance contracts provided by the Company contained all provisions required by Alaska regulations, including appropriate arbitration and insolvency clauses. The Company assumes the majority of its reinsurance from mandatory participation in the Alaska workers' compensation pool under agreement with the National Council on Compensation Insurance ("NCCI"), as well as from the Alaska Automobile Insurance Plan administered by the Auto Insurance Provider Service Organization ("AIPSO"). Small amounts are assumed under fronting arrangements with Old Republic Insurance Company for states in which the Company is not currently licensed to write.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Alaska Division of Insurance and present the financial condition of the company for the period ending December 31, 2019. The accompanying comments on financial statements should be considered an integral part of the financial statements.

FINANCIAL STATEMENTS
STATEMENT OF ASSETS, LIABILITIES and SURPLUS
As of December 31, 2019

		As Reported 12/31/2019
<u>Assets</u>		
Bonds	\$	561,012,334
Preferred stocks		9,667,150
Common stocks		112,934,945
Properties occupied by the company		2,247,114
Properties held for the production of income		297,133
Cash, cash equivalents and short-term investments		223,872,283
Other invested assets		37,113,177
		947,144,136
Total cash and invested assets		947,144,136
Investment income due and accrued		4,957,075
Uncollected premiums and agents' balances in the course of collection		31,038,710
Deferred premiums, agents' balances and installments booked but deferred		55,729,208
Accrued retrospective premiums and contracts subject to redetermination		3,456,103
Amounts recoverable from reinsurers		30,582
Current federal and foreign income tax recoverable		2,749,527
Net deferred tax asset		10,658,847
Guaranty funds receivable or on deposit		4,131,139
Electronic data processing equipment and software		876,975
Aggregate write-ins for other-than-invested assets		3,033,113
		3,033,113
Total Admitted Assets	\$	1,063,805,415
<u>Liabilities, Surplus, and Other Funds</u>		
<u>Liabilities</u>		
Losses	\$	305,179,215
Loss adjustment expenses		80,060,901
Commissions payable, contingent commission and other similar char.		2,734,459
Other expenses		9,735,798
Taxes, licenses and fees		1,317,512
Unearned premiums		100,261,814
Ceded reinsurance premiums payable		9,161,226
Amounts withheld or retained by company for account of others		4,845,488
Provision for reinsurance		53,000
Guarantee Association Assessment Payable		1,859,262
Total Liabilities	\$	515,208,675
<u>Surplus</u>		
Common capital stock		25,000,000
Gross paid in and contributed surplus		25,000,000
Unassigned funds		498,596,740
Total surplus	\$	548,596,740
Total Liabilities and Surplus	\$	1,063,805,415

FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS
As of December 31, 2019

	As Reported 12/31/2019
<u>Underwriting Income</u>	
Premiums earned	\$ 211,570,614
<u>Deductions</u>	
Losses incurred	\$ 84,153,199
Loss adjustment expenses	33,006,342
Other underwriting expenses incurred	64,041,323
Aggregate write-ins for underwriting deductions	(559,985)
Total underwriting deductions	\$ 180,640,879
Net underwriting gain or (loss)	\$ 30,929,735
<u>Investment Income</u>	
Net investment income earned	\$ 29,948,190
Net realized capital gains	21,304,136
Net Investment gain or (loss)	\$ 51,252,326
<u>Other Income or (Loss)</u>	
Net gain (loss) from agents' or premium balances charged off	\$ (204,296)
Finance and service charges not included in premiums	\$ -
Aggregate write-ins for miscellaneous income	(11,766,075)
Net Other Income or (loss)	\$ (11,970,371)
Net income before federal income tax	\$ 70,211,690
Federal income taxes incurred	8,579,509
Net income (loss)	\$ 61,632,180

FINANCIAL STATEMENTS
RECONCILIATION OF CAPITAL AND SURPLUS
As of December 31, 2019

	Common Capital Stock	Gross Paid In and Contributed Surplus	Unassigned Surplus (Deficit)	Total Policyholders' Surplus
Balance at December 31, 2016	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 388,003,390</u>	<u>\$ 438,003,390</u>
Net income - 2017			59,383,262	59,383,262
Change in net unrealized capital gains			12,504,537	12,504,537
Change in net deferred income tax			(7,717,834)	(7,717,834)
Change in nonadmitted assets			(1,758,477)	(1,758,477)
Change in provision for reinsurance			(99,000)	(99,000)
Dividends to stockholders			(20,000,000)	(20,000,000)
Balance at December 31, 2017	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 430,315,879</u>	<u>\$ 480,315,879</u>
Net income (loss) - 2018			65,859,889	65,859,889
Change in net unrealized capital gains			(24,058,529)	(24,058,529)
Change in net deferred income tax			5,075,928	5,075,928
Change in nonadmitted assets			(1,907,472)	(1,907,472)
Change in provision for reinsurance			98,000	98,000
Dividends to stockholders			(24,000,000)	(24,000,000)
Balance at December 31, 2018	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 451,383,693</u>	<u>\$ 501,383,693</u>
Net income (loss) - 2019			61,632,180	61,632,180
Change in net unrealized capital gains			1,472,443	1,472,443
Change in net deferred income tax			1,049,468	1,049,468
Change in nonadmitted assets			(1,942,044)	(1,942,044)
Change in provision for reinsurance			1,000	1,000
Dividends to stockholders			(15,000,000)	(15,000,000)
Balance at December 31, 2019	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 498,596,740</u>	<u>\$ 548,596,740</u>

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

No adjustments to the financial statements filed as of December 31, 2019 were made to surplus as a result of the examination.

COMMENTS ON FINANCIAL STATEMENTS

There were no findings noted in the current examination.

SUBSEQUENT EVENTS

COVID-19 Economic Impact: During March of 2020, the World experienced a pandemic related to the COVID-19 virus. At the date of this report, the Company has not been able to quantify the effects of this pandemic on its current or future financial statements. Also, as of the date of this report, the Company was fully operational and was providing services to its policyholders.

Ordinary Dividend: On May 4, 2020, the Company declared a \$110 million dividend that was paid on May 7, 2020 to the Company's sole shareholder, ANC, with the expectation that upon receipt, ANC will pay a cash dividend for \$110 million to its sole shareholder, CPIC. The dividend is not an extraordinary dividend as defined by Alaska Statute 21.22.100.

SUMMARY OF RECOMMENDATIONS

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


CLOSING

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

In addition to the undersigned, the following examiners participated in the examination from the Alaska Division of Insurance: Insurance Financial Examiner II Wallace R. Thomas, CFE, Actuary Michael D. Ricker, FCAS, MAAA, and Insurance Financial Examiner I Jeffery A. Bethel. Also participating in the examination were contract examiners from Risk and Regulatory Consulting, LLC, as follows: John Humphries, CFE, ASA, MAAA, CISA, AES; and Cathie A. Stewart, CFE and CPA.

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

This report is respectfully submitted,



Joshua J. Johnson, CFE
Senior Financial Examiner
Risk and Regulatory Consulting, LLC



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

AFFIDAVIT

Anchorage, Alaska)
May 27, 2021)
STATE OF ALASKA)
THIRD JUDICIAL DISTRICT)

I, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2019, of Alaska National Insurance Company, an Alaska-domiciled company holding Certificate of Authority #D-1, is true to the best of my knowledge and belief.

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

Subscribed and sworn to before me this 27th day of MAY, 2021.



Lea Clack / LEA CLACK


Notary Public for the State of Alaska

My commission expires: WITH OFFICE

AFFIDAVIT

Lincoln, Nebraska)
May 26, 2021)
)
STATE OF NEBRASKA)
COUNTY OF LANCASTER)

I, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2019, of Alaska National Insurance Company, an Alaska-domiciled company holding Certificate of Authority #D-1, is true to the best of my knowledge and belief.



Joshua J. Johnson, CFE
Senior Financial Examiner
Risk and Regulatory Consulting, LLC

Subscribed and sworn to before me this 26 day of May, 2021.



Notary Public for the State of Nebraska



My commission expires: March 3, 2024