



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

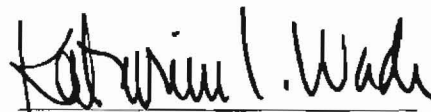
I, Katharine L. Wade, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of American Nuclear Insurers (the "Company") as of November 30, 2015, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

1. I, Katharine L. Wade, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On May 31, 2016, the verified Examination Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On June 13, 2016, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.

Dated at Hartford, Connecticut, this 21st day of June, 2016.



Katharine L. Wade
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF

AMERICAN NUCLEAR INSURERS

AS OF

NOVEMBER 30, 2015

BY THE

CONNECTICUT INSURANCE DEPARTMENT



TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	1
History	2
Management and Control	2
Insurance Coverage	4
Territory and Plan of Operation	5
Reinsurance	6
Information Technology Controls	6
Accounts and Records	7
Financial Statements:	
Assets	8
Liabilities and Member Company Balances	8
Statement of Income and Changes in Member Company Balances	9
Reserve for Outstanding Losses and Outstanding Loss Adjustment Expenses	9
Conclusion	10
Signature	11

May 27, 2016

The Honorable Katharine L. Wade
Commissioner of Insurance
State of Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

Dear Commissioner Wade:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has made a financial examination of the condition and affairs of the

AMERICAN NUCLEAR INSURERS

(hereafter referred to as the Association or ANI), a voluntary, unincorporated association of insurers, organized under the laws of the State of Connecticut and having its statutory home office located at 95 Glastonbury Boulevard, Glastonbury, Connecticut. The report on such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Association was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department), as of November 30, 2010. The current examination, which covers the period from December 1, 2010 to November 30, 2015, was conducted at the statutory home office of the Association.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Association:

- Board of Director (Board) and Committee minutes from 2010 through the latest 2016 meeting;
- statutory audit reports completed by the Association's independent certified public accountants, Deloitte & Touche, LLP (D&T), from 2011 through 2015;
- Statements of Actuarial Opinion from 2011 through 2015;
- annual reports to member companies of the Association (Members) from 2011 through 2015; and
- financial statements filed with the Department from 2011 through 2015.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, as well as the independent audit reports which indicated no material concerns with respect to financial condition or regulatory compliance issues.

AMERICAN NUCLEAR INSURERS

Work papers prepared by D&T in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Association by obtaining information about the Association, including corporate governance, identifying inherent risks within the Association, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual and the NAIC Property and Casualty Annual Statement Instructions.

All accounts and activities of the Association were considered in accordance with the risk-focused examination process.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

During 1956, three nuclear energy insurance pools were formed to provide insurance protection to nuclear facilities. Nuclear Energy Property Insurance Association (NEPIA), a stock company pool, provided property coverage only. Nuclear Energy Liability Insurance Association (NELIA), a stock company pool, provided liability coverage only. A mutual company pool, Mutual Atomic Energy Reinsurance Pool (MAERP), provided both liability and property coverage.

On December 1, 1974, the Nuclear Energy Liability - Property Insurance Association (NEL-PIA) was formed by the merger of NEPIA and NELIA. Its purpose was to provide both property and liability insurance coverage to nuclear facilities and suppliers.

In March 1978, NEL-PIA changed its name to American Nuclear Insurers.

MANAGEMENT AND CONTROL

The Constitution of the Association provides for a Board to govern the affairs and business of the Association and, within the limits of the constitution, has full authority on behalf of the members with respect to all affairs of the Association. The Board may consist of not less than nine and not more than twenty-one member companies.

One-third of the Board members are elected each year by the members of the Association at the annual meeting, holding office for terms of three years. At all times, at least two-thirds of the

AMERICAN NUCLEAR INSURERS

Board's members are required to be selected from among the twenty Association members having the largest combined participation in the pools.

A regular meeting of the Association's members must be held annually in the first quarter of each year. Special meetings may be called, when requested in writing, by any ten members or members representing 10% or more of participation in any pool established by the Association. A quorum constitutes not less than 51% of the combined participation of the members in such pool(s). Two-thirds of the combined participation represented at any meeting is required for the transaction of business.

Directors serving the Association at November 30, 2015, were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Gregory Schiffer	Chairman of the Board, Head of Global Engineering, Managing Director Swiss Reinsurance America Corporation
James B. Ruden	Secretary of the Association, Senior Vice President, AXIS Reinsurance Company
David Barclay	Treasurer of the Association, Vice President, Energy Resources Specialty, Chubb Group of Insurance Companies
Robert Beck	Senior Vice President, Munich Re
Melissa Ford	Vice President, Middle East and Africa Regional Head, Everest Re
Lawyer Davis	Assistant Vice President, Property and Casualty Underwriting, State Farm Mutual Automobile Insurance Company
Michael Finnegan	Chief Operating Officer, Liberty Mutual Reinsurance
Paul J. O'Neill	Chief Underwriting Officer, ACE North America Property & Specialty Lines
Carlos Sanzo	President and CEO, MAPFRE Re
Ranjini Pillay	Head of Alternative Risk, AIG

AMERICAN NUCLEAR INSURERS

Committees

Pursuant to the Association's Constitution, the business operations may be monitored through advisory committees appointed by the Board. Committees appointed by the Board included the Executive Committee, Audit Committee, Security Committee, Nominating Committee, Claim Committee, Investment Committee, Underwriting Committee, and Enterprise Risk and Opportunity Management Committee.

Directors serving on the Executive Committee of the Board at November 30, 2015, were as follows:

Executive Committee

Gregory Schiffer, Chairman
David Barclay
James B. Ruden
Robert Beck
Paul J. O'Neill
Carlos Sanzo

Officers

The officers of the Association at November 30, 2015, were as follows:

<u>Name</u>	<u>Title</u>
George D. Turner	President and Chief Executive Officer
Michael P. Cass	Vice President and General Counsel
Susan M. Botticello	Vice President and Chief Financial Officer
Daniel A. Antion	Vice President, Information Services
Marjorie J. Berger	Vice President, Liability Claims
Gary S. Uricchio	Vice President, Underwriting
Stanley P. Focht	Vice President, Engineering

INSURANCE COVERAGE

The Association is insured by a \$5 million forgery or alteration and securities, single loss limit of liability, financial institution bond. The Association maintains a single loss deductible of \$100,000 on this coverage. The aggregate limit of liability provides fidelity coverage above the prescribed minimum set forth by the Handbook.

In addition to fidelity bond insurance coverage, the Association maintains property, general liability, commercial automobile, workers' compensation, catastrophe umbrella, international, kidnap, ransom and extortion, identity theft insurance, employment practices, fiduciary liability, and travel accident coverage.

AMERICAN NUCLEAR INSURERS

TERRITORY AND PLAN OF OPERATION

Licensing and Plan of Operations

The Association's Constitution defines it as an agency through which the members may provide nuclear energy liability and property insurance protection (other than workers' compensation insurance) against hazards arising out of or pertaining to nuclear installations (other than nuclear explosive devices), radioactive isotope exposure, and transportation of nuclear material between nuclear installations, for operations or facilities located in the United States, its territories or possessions and Puerto Rico, or risks located elsewhere which are subject to the domestic financial protection requirements of the Atomic Energy Law of 1954. Authority is also granted to the Association to cede or accept reinsurance of the same kind, to the same extent and on the same basis as direct insurance may be written by the members in accordance with the Association's constitution.

ANI is a joint underwriting association that acts on behalf of its Member companies. The Association has 20 Member companies which include many of the largest insurance companies in the United States. The capacity to write this insurance is provided by Members and is reinsured by alien nuclear pools, Nuclear Energy Insurance Limited (NEIL), and various reinsurers. Members do not necessarily participate in all pools and may have varying participation shares from year to year, although they must participate in the Domestic Liability Pool to be a member of the Association. The Member companies and their participation in the Association for the 2015 and 2016 syndicates are as follows:

Ace American Insurance Company	4.564949%
American Commerce Insurance Company	3.260678%
AXIS Reinsurance Company	5.340556%
Commerce Insurance Company	3.260679%
Employers Mutual Casualty Company	1.304271%
Essex Insurance Company	0.593443%
Everest Reinsurance Company	13.943051%
Federal Insurance Company	12.026642%
Liberty Mutual Insurance Company	5.934000%
Munich Reinsurance America, Inc.	4.347571%
National Indemnity Company	17.801564%
National Union Fire Ins. Co. of Pittsburgh, PA	4.164060%
New York Marine & General Insurance Company	0.593443%
Ohio Farmers Insurance Company	0.347806%
SCOR Reinsurance Company	1.186887%
State Farm Mutual Automobile Insurance Company	3.560226%
Swiss Reinsurance America Corporation	10.935836%
Transatlantic Reinsurance Company	2.087225%
United Fire & Casualty Company	1.335139%
Zurich American Insurance Company	3.411974%
Total	<u>100.000000%</u>

AMERICAN NUCLEAR INSURERS

Marketing and Agency System

The Association does not solicit business on a direct basis. The Association's policies are issued with a listing of subscribing Member companies that are licensed in the state in which the policy is issued. The subscribing Members are reinsured by the non-subscribing Members of the pool.

REINSURANCE

Assumed Reinsurance

The Association assumes nuclear property and liability insurance from both foreign nuclear pools and domestic nuclear captives. Reinsurance from foreign nuclear pools is assumed on a facultative basis except in Japan where third-party liability business is assumed under a quota share treaty. In addition, property reinsurance is assumed from the European Mutual Association for Nuclear Insurers, under an excess of loss treaty program.

In 2015, the Association had \$128 million in foreign capacity to offer on a per risk basis. The foreign pool includes both the foreign liability and foreign property programs. The Association assumes foreign nuclear property and liability insurance from both the foreign nuclear pools and industry captives.

The Association also reinsures a portion of NEIL's nuclear property program, which provides property insurance for all operating power reactors in the United States. The Association assumes \$113 million in liability as a 6.19% participant in a \$1.825 billion excess of loss nuclear property damage and decontamination liability risk from NEIL. NEIL maintains nearly all of the nuclear property insurance capacity in the United States.

A Builder's Risk Pool was formed in 2010 to provide reinsurance for nuclear construction risks. The Association currently reinsures NEIL for two nuclear construction projects on a quota share basis. Facultative contracts were entered into for each of projects with varying member participations.

Ceded Reinsurance

The Association maintains a quota share reinsurance treaty, whereby 43.2% of the Association's domestic nuclear liability risk is ceded to NEIL and various foreign reinsurance pools and captives.

INFORMATION TECHNOLOGY CONTROLS

An evaluation of information technology (IT) controls was conducted in accordance with NAIC requirements as outlined in the Handbook's Exhibit C Part One - Information Technology Planning Questionnaire (ITPQ), Part Two - Information Technology Work Program (Work Program), and the 6 step process contained in the Handbook. The NAIC's guidance for conducting an IT review for a small company or a company with a non-complex IT environment influenced the decision to perform a reduced scope examination, limiting reliance on controls.

ANI's responses to the ITPQ were reviewed, providing familiarity with the existing controls, policies and procedures established by ANI's IT area. The review of ITPQ and supporting

AMERICAN NUCLEAR INSURERS

documentation provided direction in the development of the work program and the subsequent review of ANI's IT general controls environment.

The examination was conducted to evaluate the reasonableness of the existing IT controls, policies and procedures. Although the review was limited in scope, consideration was given to procedures in effect during 2015 as well as any control procedures implemented since the previous examination.

ACCOUNTS AND RECORDS

The Association utilizes an internally developed general ledger system to process and maintain its financial accounting records. Several of the Association's application programs generate journal entries that systematically interface with the general ledger system, while the remaining journal entries are manually prepared and entered.

General ledger account balances were reconciled and traced to appropriate asset, liability, and income statement lines on the audited financial statements. Adjusting entries are posted on a monthly basis. Detailed information is maintained, and reports are generated by individual member and reinsurer, by syndicate year.

AMERICAN NUCLEAR INSURERS

FINANCIAL STATEMENTS

The following statements reflect the assets, liabilities and Member company balances, and statement of income and changes in Member company balances as filed by the Association as of November 30, 2015, as reported by the Association. No adjustments were made to Member company balances as a result of the examination:

ASSETS

Investments	\$652,267,102
Cash and short-term investments	7,311,263
Premiums receivable	2,691,465
Interest due and accrued	4,797,720
Reinsurance recoverable	16,103
Receivable for securities sold	3,671
Other assets	85,450
Total admitted assets	<u>\$667,172,774</u>

LIABILITIES AND MEMBER COMPANY BALANCES

Reserve for outstanding losses	\$20,512,698
Reserve for outstanding loss adjustment expenses	9,039,852
Total reserves for outstanding losses and loss adjustment expenses	29,552,550
Funds held by ANI under reinsurance treaties	35,794,687
Unearned premiums	14,418,363
Reserve for retrospective returns – Members	262,182,920
Funds withheld from reinsurers for reserve for retrospective returns	275,022,461
Reinsurance balances payable	18,625,827
Commissions and taxes payable	1,610,362
Pension liabilities	8,514,749
Other accrued liabilities	5,230,363
Total liabilities	650,952,282
Member company balances	16,220,492
Total liabilities and Member company balances	<u>\$667,172,774</u>

AMERICAN NUCLEAR INSURERS

STATEMENT OF INCOME AND CHANGES IN MEMBER COMPANY BALANCES

Underwriting operations:	
Revenues:	
Premiums earned	\$53,120,869
Change in reserve for retrospective returns – Members	(19,664,199)
Total revenues	33,456,670
Expenses:	
Incurred losses and loss adjustment expenses	(286,813)
Commissions	1,448,839
Taxes	1,035,677
Administrative expenses	6,624,325
Foreign exchange losses	470,285
Total expenses	9,292,313
Net underwriting income	24,164,357
Investment operations:	
Net investment income	15,738,496
Net realized capital gains	1,647,193
Total investment income	17,385,689
Net income	41,550,046
Remittances to Member companies	(34,936,214)
Change in nonadmitted assets	(979,620)
Change in pension liabilities	(210,150)
Change in postretirement liability	221,573
Change in unrealized foreign exchange	71,062
Member company balances, beginning of year	10,503,795
Member company balances, end of year	<u>\$16,220,492</u>

RESERVE FOR OUTSTANDING LOSSES AND
OUTSTANDING LOSS ADJUSTMENT EXPENSES (LAE)

\$29,552,550

The following items were included in the captioned account:

Losses	\$20,512,698
LAE	<u>9,039,852</u>
	<u>\$29,552,550</u>

An independent consulting actuary was retained by the Association and appointed by the Board to render an opinion on the reserve for outstanding losses and LAE. The Department conducted a review of the reserve adequacy as it relates to the determination of the losses and the LAE reserves including assessing the appropriateness of the methodologies and computations. The Department's review included but was not limited to the following procedures;

- a detailed review of the Association's 2015 actuarial opinion; and
- detailed discussions with and a qualitative review of the independent consulting actuary's work papers.

AMERICAN NUCLEAR INSURERS

Conclusion

Based upon the risk-based assessment and review procedures performed by the Department, no material concerns were noted which affected the Association's ability to manage its reserving risk.

CONCLUSION

As of November 30, 2015, the Company reported admitted assets of \$667,172,774, liabilities of \$650,952,282, and Member company balances of \$16,220,492. During the period under examination, admitted assets decreased \$33,452,619, liabilities decreased \$29,435,421, and member company balances decreased \$4,017,198.

AMERICAN NUCLEAR INSURERS

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Mark Murphy, CFE; Joseph Marcantonio, AFE, CISA, AES; Robert Linnell, CFE; Ronald Jankowski, CFE; and Susan Gozzo-Andrews, FCAS, MAAA, RPLU+.

I, Wayne Shepherd, CFE, do solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of November 30, 2015, to the best of my information, knowledge and belief.

Respectfully submitted,

Wayne Shepherd
Wayne Shepherd, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss.

County of Hartford

Subscribed and sworn to before me, Patricia Butler
Notary Public on this 31st day of May, 2016.

Patricia Butler
Notary Public

My Commission Expires September 30, 2018