



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of American Nuclear Insurers (the "Association") as of November 30, 2020, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Andrew N. Mais, 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 ("C.G.S.").
2. The Association is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On February 1, 2022, the verified Report of the Association was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Association was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On February 26, 2022, the Association notified the Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify 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 Association is hereby adopted as filed with the Department.
2. That the Association shall comply with the recommendations set forth in the Report, and that failure by the Association to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director."

Please address the certification to the Commissioner but send said certification to the care/attention of Michael Shanahan, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 9th day of March, 2022.



Andrew N. Mais
Insurance Commissioner

Exhibit A
EXAMINATION REPORT
OF
AMERICAN NUCLEAR INSURERS
AS OF
NOVEMBER 30, 2020
BY THE
CONNECTICUT INSURANCE DEPARTMENT



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January 21, 2022

The Honorable Andrew N. Mais
Commissioner of Insurance
State of Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

Dear Commissioner Mais:

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, 2015. The current examination, which covers the period from December 1, 2015 to November 30, 2020, was conducted virtually.

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

- minutes of the Board of Director (Board) and other Committee minutes from 2015 through the latest 2021 meeting;
- statutory basis audit reports prepared by the Association's independent certified public accountants, Deloitte & Touche, LLP (D&T), from 2016 through 2020;
- Statements of Actuarial Opinion from 2016 through 2020; and
- annual reports to Member companies of the Association (Members) from 2016 through 2020.

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.

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

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (the 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 Association, 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 financial results to be materially misstated both currently and prospectively.

All accounts and activities of the Association 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 Association's financial statements.

This examination report includes significant findings of fact 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 Association.

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.

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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 its members shall be selected among the twenty-five 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, 2020, 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
Robert Coords	Secretary of the Association Head of Specialty Reinsurance Starr Indemnity & Liability Company
Anita Kuchma	Treasurer of the Association Chief Operations Officer Munich Reinsurance America, Inc.
Melissa Ford	Vice Chairman of the Board Senior Vice President, International Department Middle East and Africa Regional Head Everest Reinsurance Company
Paul J. O'Neill	Executive Vice President and Chief Underwriting Officer ACE North America Property & Specialty Lines Ace America Insurance Company
Carlos Sanzo	President and CEO MAPFRE Re North America
Ian Carmody	Vice President Transatlantic Reinsurance Company
Susan Krieger	Vice President - Operations State Farm Mutual Automobile Insurance Company
Daniel Osterrieder	Head of Casualty North America Axis Reinsurance Company

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Jamie Miller North America Property Chief Underwriting Officer
American International Group, Inc.

Thomas Greene Senior Vice President, Reinsurance-Casualty
Liberty Mutual Insurance Company

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, and Investment Committee.

Directors serving on the Executive Committee of the Board at November 30, 2020, were as follows:

Executive Committee

Gregory Schiffer, Chairman
Melissa Ford
Anita Kuchma
Robert Coords
Thomas Greens
Paul J. O'Neill
Carlos Sanzo

Officers

The officers of the Association at November 30, 2020, were as follows:

<u>Name</u>	<u>Title</u>
Michael P. Cass	President and CEO (retired 2/28/2021)
Susan M. Botticello	Senior Vice President and Chief Financial Officer
Laura Clouser	Vice President & Controller
Dan DeMerchant	Vice President, Liability Claims
Jim Palaia	Vice President, Underwriting
Andy Pinkowski	Vice President & General Counsel
Gary S. Uricchio	Senior Vice President, Underwriting (retired 4/30/2021)
Otto Walter	Vice President, Engineering

INSURANCE COVERAGE

The Association is insured by a forgery or alteration and securities, single loss limit of liability, financial institution bond. The aggregate limit of liability provides fidelity coverage above the prescribed minimum set forth by the Handbook.

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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 22 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 2020 Domestic Liability syndicates are as follows:

Ace American Insurance Company	3.314468%
American Commerce Insurance Company	2.367477%
AXIS Reinsurance Company	7.891591%
Continental Casualty Company	2.539830%
Employers Mutual Casualty Company	1.136389%
Endurance Assurance Corporation	2.367477%
Evanston Insurance Company	0.430881%
Everest Reinsurance Company	12.926426%
Federal Insurance Company	8.732172%
Liberty Mutual Insurance Company	4.734955%
Munich Reinsurance America, Inc.	8.063942%
National Indemnity Company	12.925164%
National Union Fire Ins. Co. of Pittsburgh, PA	3.977362%
Ohio Farmers Insurance Company	0.631327%
SCOR Reinsurance Company	1.102929%
Starr Indemnity & Liability Company	2.539830%
State Farm Mutual Automobile Insurance Company	2.584970%
Swiss Reinsurance America Corporation	12.626546%
The Commerce Insurance Company	2.367477%
Transatlantic Reinsurance Company	3.156636%

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United Fire & Casualty Company	1.104823%
Zurich American Insurance Company	<u>2.477328%</u>
Total	<u>100.000000%</u>

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 2020, 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. In 2020, the Association assumes \$116 million in liability as a 6.19% participant in a \$1.875 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 one nuclear construction project on a quota share basis. An additional facultative contract was entered into for this project with varying Member participations.

Ceded Reinsurance

The Association maintains a quota share reinsurance treaty, whereby 34.0% 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.

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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 the ITPQ and supporting 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 and policies and procedures, with a specific focus on controls related to the safeguarding of data and business continuity planning.

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 admitted asset, liability, and statement of income lines on the financials filed by the Association. Adjusting entries are posted monthly. Detailed information is maintained, and reports are generated for individual Members and Reinsurers by syndicate year.

FINANCIAL STATEMENTS

The following statements represent the Association's financial position, as filed by the Association, as of November 30, 2020. No adjustments were made to Member company balances as a result of the examination:

ADMITTED ASSETS

Investments	\$772,921,437
Cash, cash equivalents and short-term investments	20,711,414
Premiums receivable	3,721,244
Interest due and accrued	5,473,983
Other assets	81,868
Total admitted assets	<u>\$802,909,946</u>

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LIABILITIES AND MEMBER COMPANY BALANCES

Reserve for outstanding losses	\$1,532,005
Reserve for outstanding loss adjustment expenses	2,100,523
Total reserves for outstanding losses and loss adjustment expenses	3,632,528
Funds held by ANI under reinsurance treaties	860,557
Unearned premiums	12,037,422
Reserve for retrospective returns – Members	403,809,032
Funds withheld from reinsurers for reserve for retrospective returns	321,867,442
Reinsurance balances payable	12,624,951
Commissions and taxes payable	1,455,858
Payable for investments purchased	5,605,550
Pension liabilities	5,585,753
Other accrued liabilities	4,666,825
Total liabilities	772,145,918
Member company balances	30,764,028
Total liabilities and Member company balances	<u>\$802,909,946</u>

STATEMENT OF INCOME AND CHANGES IN MEMBER COMPANY BALANCES

Underwriting operations:	
Revenues:	
Premiums earned	\$55,637,128
Change in reserve for retrospective returns – Members	(20,245,243)
Total revenues	35,391,885
Expenses:	
Incurred losses and loss adjustment expenses	(184,461)
Commissions	1,451,516
Taxes	1,181,382
Administrative expenses	5,343,977
Foreign exchange losses	45,344
Total expenses	7,837,758
Net underwriting income	27,554,127
Investment operations:	
Net investment income	16,332,590
Net realized capital gains/(losses)	34,629
Total investment income	16,367,219
Net income	43,921,346
Remittances to Member companies	(40,635,211)
Change in nonadmitted assets	180,404
Change in pension liabilities	272,020
Change in postretirement liability	(445,363)
Change in unrealized foreign exchange	46,875
Member company balances, beginning of year	27,423,957
Member company balances, end of year	<u>\$30,764,028</u>

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RESERVE FOR OUTSTANDING LOSSES AND
LOSS ADJUSTMENT EXPENSES (LAE)

\$3,632,528

The following items were included in the captioned account:

Losses	\$1,532,005
LAE	<u>2,100,523</u>
	3,632,528

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's review was conducted in accordance with the risk-focused approach as detailed in the Handbook. The scope of the review included assisting with the assessment of reserve risk and pricing/underwriting risk for the Association

Based on the scope of work conducted, the Department did not identify any material concerns that affected the Association's ability to manage its reserving and pricing/underwriting risks.

CONCLUSION

As of November 30, 2020, the Company reported admitted assets of \$802,909,946 liabilities of \$772,145,918 and Member company balances of \$30,764,028. During the period under examination, admitted assets increased \$135,737,172, liabilities increased \$121,193,636, and Member company balances increased \$14,543,536.

SUBSEQUENT EVENT

The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination noted no significant financial impact to the Association as result of COVID-19. The Department has been in communication with the Association regarding the impact of COVID-19 on its business operations and financial position. The Association did complete a NAIC questionnaire template around pandemic preparedness and business interruption. The Department will continue to closely monitor the impact of the pandemic on the Association and will take necessary action if a solvency concern arises.

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SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Michael Shanahan, CFE; Kenneth Roulier, AFE, CISA, AES; Grace Jiang, CFE; Kent Krajick, CFE; and Qing He, FCAS, MAAA

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, 2020, 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, [Signature]
Notary Public on this 1 day of February, 2022.

[Signature]
Notary Public

My Commission Expires June 30, 2026