



June 3, 1993

BULLETIN #593

RE: ALPINE ASSURANCE, LTD. (Turks & Caicos Islands)

We have been requested by the California Insurance Department, acting in accordance with and pursuant to Section 1765.1 of the Insurance Code, to advise all Surplus Line brokers and Special Lines Surplus Line brokers that effective June 3, 1993, unless and until notified by the Department to the contrary, the above insurer should not be employed for placements of California business. No further new or renewal business may be placed with the company.

Please see attached documentation for further information.

A.D. Freeman, Jr.
Manager

ADF/imb

Enclosures

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24th FLOOR
SAN FRANCISCO, CA 9410~5
JOHN GARAMENDI, Insurance Commissioner

June 3, 1993

The Surplus Line Association of California
388 Market Street, Suite 1150
San Francisco, CA 94111

Subject: ALPINE ASSURANCE LTD (Turks & Caicos Islands)
Order Pursuant to California Insurance Code Section 1765.1 and
California Code of Regulations title 10 chapter 5section 2174 et seq.

Dear Gentle People:

Please issue a bulletin to your members notifying them that Alpine Assurance Ltd (Turks & Caicos Islands) is unacceptable pursuant to CIC S 1765.1 and CCR section 2174 et seq. for placement of new or renewal business.

Attached please find a copy of the Department's letter to this company and its representatives.

Very truly yours,
Jill A. Jacobi
Senior Staff Counsel
(415) 904-5362

cc: Janice E. Kerr, CDI General Counsel Victoria S. Sidbury, CDI Assistant Chief counsel Alpine Assurance, Ltd.

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24TH FLOOR
SAN FRANCISCO, CA 94105
JOHN GARAMENDI, Insurance Commissioner

June 3, 1993
via certified mail Return Receipt Requested

Mr. James T. Hilbrant
James Hilbrant Insurance Services
2230 W. Chapman Avenue, Suite 212
Orange, CA 92668

Alpine Assurance, Ltd
c/o Raymond A. Greenberg, Esq.
23622 Calabasas Road, Suite 349 Calabasas, California 91302

Board of Directors
Alpine Assurance Ltd
Scottsdale, Arizona

**Subject: Alpine Assurance Ltd. (Turks & Caicos)
Order Pursuant to California Insurance Code (CIC) 1765.1
and California Code of Regulations (CCR)
title 10 chapter 5 section 2174 et seq.**

Dear Gentle People,

The California Department of Insurance has reviewed the financial and other information recently submitted to it pursuant to California Code of Regulations (CCR) Title 10 Chapter 5 section 2174.4 et seq concerning the subject insurer Alpine Assurance Ltd (Alpine). The Department's review of this submission is guided by legal and accounting standards as set forth in our California Insurance Code and other California laws. The Department has a number of concerns which require the issuance of an order and bulletin pursuant to California Insurance Code (CIC) Section 1765.1, ordering that no further business be placed with Alpine.

The Department is authorized to issue this order and bulletin because the 2174.4 submission does not comply with California law as set forth in CCR title 10 chapter 5 section 2174.4 (a) and Alpine fails to meet the standards set forth in section CCR title 10 chapter 5 section 2174.9 (a) (1), (3), (4), and (5).

Mr. James T. Hilbrant et al.

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FAILURE TO COMPLY WITH FILING REQUIREMENTS CCR section 2174.9 (c)

The Alpine submission was rejected for numerous reasons as set forth below.

All of the documents required by California law have not been submitted for filing with the Department of Insurance. None of the financial documents submitted on behalf of Alpine were certified. The quarterly financial statement and list of trust assets was not verified. No audited financial report prepared in conformity with the applicable statutory accounting principles of the insurer's domiciliary jurisdiction reflecting Alpine's financial position and the results of Alpine's operations was submitted. No principal place of business or agent for service of process was disclosed.

On May 25, 1993 the Department of Insurance Assistant Chief Investigator Charles P. Wiscavage wrote to Mr. James T. Hilbrant, the surplus lines broker who submitted materials on behalf of Alpine and advised that the Alpine submission was rejected for not being in substantial compliance with the applicable regulations. Through that correspondence Alpine was advised that the NAIC trust was made up of 3,700,000 shares of a stock the registration of which was revoked by the Securities and Exchange Commission (SEC) in August 1992. Additionally, Alpine was advised that the listed irrevocable letter of credit issued by Intel Trust and Development Bank, Ltd. had not been confirmed by Ameritrust. As a result, the Trust account did not appear to hold the 5.4 million dollars required under California Code of Regulations (CCR) Title 10 chapter 5 section 2174.9 (a) (4).

Alpine was further apprised in that correspondence that the submission was deficient because the required schedules of assets were not submitted, therefore making it is impossible for the Department to determine the quality of assets as required under CCR 2174.9 (a) (5) or to verify that the minimum capital and surplus requirements have been met under CCR section 2174.9 (a) (3).

In addition, Alpine was advised that the Trust agreement dated December 20, 1991 was submitted without the amendment referred to in the Ameritrust letter of May 7, 1993, and no regulatory disclosure statement was submitted as required by CCR 2174.9 (a) (2).

The documents submitted for filing do not appear after review to be complete, consistent or comprehensible.

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FAILURE TO MEET THE 2174.9 (a) STANDARDS

INSUFFICIENT TRUST FUNDS

The submission represents that Alpine has placed in trust assets of \$8,012,500.00. The purported trust assets include in significant part 1) a \$3,700,000.00 book value of shares of Monoclonal Medical, Inc. and 2) an assignment of a \$3,000,000 letter of credit. As set forth in detail below, both the Monoclonal stock and letter of credit must be disallowed from the trust total computation, therefore the trust assets as submitted total only \$1,312,500.00 which is short of the 5.4 million dollar requirement set forth in CCR title 10 chapter 5 section 2174.9 (a) (4).

1.) Monoclonal Medical, Inc.

The documents submitted for filing reveal that Alpine's NAIC trust is comprised of 3,700,000 shares of Monoclonal Medical, Inc., a common stock the registration of which was revoked by the order of the Securities and Exchange Commission (SEC) in August 1992. (See order in SEC Administrative Proceeding Number 3-7778) Therefore the common stock listed as a trust asset as of May 7, 1993 is not capable of being traded, has no value and is not readily marketable. Monoclonal Medical Inc. develops and licenses antibodies which have diagnostic and therapeutic applications. Monoclonal's assets are primarily intangible. Monoclonal reported operating losses in both 1990 and 1991 for a total operating loss of more than \$2.5 million since its inception.

The CIC 1195 requirement of income production applies to investments in corporate stock described in CIC 1191. CIC 1195 applies to all investments under CIC 1190 et seq. Therefore, the Monoclonal Medical, Inc. stock does not meet the Department's standard regarding income production as described in CIC 1195.

Alpine's holdings in Monoclonal Medical, Inc. is not only nonincome producing, but also does not meet the Department's standards on liquidity (CIC 706.5) and sound investment (CIC 1196a), and quality and legality of investment (CIC 717b).

2.) Letter of credit

In its letter of May 7, 1993, Ameritrust Texas, N.A. advises that it is in the process of confirming an assignment by Alpine

The documents submitted indicate that the market price is not available.

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Assurance to the American Texas National Association of a \$3,000,000 irrevocable letter of credit issued by Intel Trust & Trade Development Bank, Ltd. It is unclear from the trustee's statement that Alpine has procured its own letter of credit and that the letter of credit is in fact in the trust account.

Therefore the \$3,000,000 irrevocable letter of credit can not be considered in assessing whether Alpine has met the requirements of CCR title 10 section 2174.9 (a) (4).

OTHER QUESTIONABLE ASSETS & ENTRIES

The September 30, 1992 financial statement of Alpine Assurance Limited raises several concerns. The statement indicates that since its inception Alpine has issued a total of five subordinated surplus debenture with a face value of \$14,500,000, one of which was rescinded in 1990. The above debentures were issued at a discount in exchange for various securities at a price lower than its face value. The financial statement does not reflect any transaction or entry recognizing such discounts as is required by both Statutory Accounting Principles and Generally Accepted Accounting Principles. No reference to this variance in standards is found in the notes to the financial statements.

Note 3 to the September 30, 1992 statement indicates that in 1992 two of its subordinated surplus debentures were canceled and rolled over to various marketable securities and other investments with total book value of \$14,957,628. The reported value as of September 30, 1991 was \$9,617,500, therefore the statement should reflect a gain of approximately 5.3 million as a result of this transaction. Instead, the statement reflects a subordinated surplus of zero and an increase in contributed surplus of \$17,940,173. The financial statement provides insufficient explanation of these transactions and entries.

Also, the September 30, 1992 financial statement shows 300 shares of stock outstanding at a par value of \$1.00 yet it reflects a corresponding capital account amount of \$17,752. The financial statement fails to explain this apparent discrepancy.

In addition, as reported in its September 20, 1992 financial statement, Alpine had total assets of \$20,418,463. However the statement only reflects \$20,097 in income for the year ending September 30, 1992, or a 1% return on assets. This return indicates that the quality and nature of such assets do not

meet the requirements of CIC section 717.

Although the above described insufficiencies alone would warrant disqualifying Alpine for placement of surplus lines business under CIC 1765.1, the Department has additional concerns.

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QUESTIONS OF REPUTATION & INTEGRITY

Lack of Expertise/Seasoning

The Department is concerned with the lack of experience that Alpine has as an insurer. The Insurance Administrator of the Turks and Caicos Islands registered and licensed Alpine as an insurer on March 13, 1991, only some 27 months ago. It appears from its submission that Alpine has little experience and may not meet the minimum three years seasoning required by CIC section 716.

Failure to Supply Supporting Documentation

Numerous requests for financial information regarding Alpine have remained unanswered. On December 16, 1991, Alpine's then broker Werlhof Aviation Insurance Agency, Inc was asked to supply documentation verifying Alpine's financial statements. No response was received. On March 31, 1992, Alpine's then broker Crawley Warren Insurance Services, Inc. was asked to supply similar supporting documentation, but did not do so, informing the Department of their election not to continue with their sponsorship. On March 22, 1993, Alpine's broker James Hilbrant Insurance Services was asked to supply documentation related to the September 30, 1992 financial report. No supporting documentation was received and the correspondence went unanswered. In addition, on March 26, 1992 the Department of Insurance in the State of Illinois advised all of its surplus lines producers to cease procuring insurance from Alpine.

The above described failure to produce adequate proof of current assets and the continued inadequate and non-responsive reporting, reflect poorly on Alpine's reputation and integrity. The above described concerns all indicate that there is a lack of expertise to successfully operate as an insurance carrier.

Therefore, Alpine Assurance, Ltd. is unacceptable for placement of further new or renewal business pursuant to CIC 1765.1 because of: 1) the above described financial instability due to questionable and insufficiently documented assets and 2) the above described questionable reputation and integrity due its non-responsiveness to the Department's inquiries, its current and past questionable investments, and its inexperience as an insurance company.

You may make a written request for a hearing within thirty (30) calendar days of the service of this

order. The Department will set a hearing not less than twenty (20) nor more than thirty (30) calendar days of its receipt of your written request.

Sincerely,

Jill A. Jacobi
Senior Staff Counsel
(415) 904-5362

cc: Surplus Lines Association
NAIC c/o Maximiliane Moody, NAIIO
A J Renner & Associates, Inc.
Cambridge General Agency
Dealey, Renton & Associates
K.D. Excess & Surplus Ins. Service
Market Action General Insurance Brokers
Surety Bonds Insurance services
Transre Insurance Services
Trinity E & S Insurance Services
Vulcan Excess and Surplus Insurance
Werlhof Aviation Insurance Agency
Janice E. Kerr, General Counsel
Victoria S. Sidbury, Bureau Chief of Corporate Affairs