



June 8, 1993

BULLETIN #594

RE: ATLAS INSURANCE COMPANY LTD. (Turks and 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 8, 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

DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24th FLOOR
SAN FRANCISCO, CA 94105

June 8, 1993

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

**Subject: ATLAS INSURANCE COMPANY LTD.
(Turks and Caicos Islands)
Order Pursuant to California Insurance Code Section 1765.1**

Dear Gentle People:

Please issue a bulletin to your members notifying them that Atlas Insurance Company Ltd. (Turks and

Caicos) is unacceptable pursuant to CIC S 1765.1 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,

Carol A. Harmon
Staff Counsel
(415) 904-5966

cc: Janice E. Kerr, CDI General Counsel
Victoria S. Sidbury, CDI Assistant Chief Counsel
Atlas Insurance Company Ltd.

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24th FLOOR
SAN FRANCISCO, CA 94105

JOHN GARAMENDI, Insurance Commissioner

Atlas Insurance Company Ltd.
June 8, 1993
Duke Street
Turks & Caicos Islands, B.W.I.

Atlas Insurance Company Limited
P.O. Box 156
Hibiscus Square; Pond Street
Grand Turk
Turks & Caicos Islands, B.W.I.

Mr. Gurjeet Singh
Monika Insurance Services
3960 Wilshire Blvd.; Suite 401
Los Angeles, CA 90010

Applied Risk Insurance Services, Inc.
11 Calle Francesca
Rancho Santa Margarita, CA 92688

James Paul Estes

3030 Saturn Street; Suite 202
Brea, CA 92621

Mr. Michael J. Kwiatkowski
K D Excess & Surplus Insurance Service
P. O. 25849
Anaheim, CA 92825

John LePire & Associates
LRO Insurance Services
P.O. 1748
Studio City, CA 91604

Werlhof Aviation Insurance Agency 6289 Freeport Boulevard Sacramento, CA 95822

**SUBJECT: Atlas Insurance Company Ltd. (Turks & Caicos Islands)
ORDER PURSUANT TO CIC Sec. 1765.1**

PLEASE TAKE NOTICE OF THE FOLLOWING:

Pursuant to California Insurance Code (CIC) Section 1765. 1, the Department of Insurance has reviewed the submitted financial and other information concerning Atlas Insurance Company Ltd. (Turks & Caicos Islands) (hereinafter "Atlas"). The Department's review is guided by legal and accounting standards as set forth in the 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 CIC 1765.1 ordering that no further business be placed with Atlas.

These concerns and the Department's intent to issue this Order pursuant to CIC S 1765.1 were previously forwarded to Atlas and its brokers on or about May 7, 1993 at the addresses noted thereon, SEE, Department of Insurance's Notice of Proposed Order Pursuant to CIC S 1765.1, attached hereto as Exhibit "A".

On or about May 25, 1993, Atlas responded to the Department's Notice of Proposed Order Pursuant to CIC S 1765.1 with correspondence attached hereto as Exhibit "B." Having reviewed the correspondence Exhibit "B", the Department still has the following concerns which require the issuance of this Order.

**I. FINANCIAL INSTABILITY --
UNVERIFIED AND NON-ADMISSIBLE ASSETS**

Atlas has failed to respond fully and adequately to Department inquiries concerning the verification and authentication of its assets. The financial documents as presented by the company show the following

doubtful and unacceptable assets, which, lacking satisfactory explanation by this company, require this CIC S 1765.1 Order.

(a.) Shares of stock -- \$9,210,000.

The "Financial Report" as of May 31, 1991, prepared by Jack McNulty, C.P.A., and presented on behalf of Atlas by its surplus lines broker, lists as an asset "Investments" of \$9,210,000. Note 3 accompanying the Financial Report identifies such investments as "Equity Securities."

In response to the Department's request for verification of these assets, Atlas responded with correspondence of 2/12/93, which enclosed copies of stock certificates, purporting to evidence Atlas's ownership of shares in the following companies: AEM Investments, Inc.; Enkay Investments, Inc.; R.M. Investments, Inc.; and SKS Investments, Inc.

However, the stock certificates show on their face ownership by "Atlas America Investments Inc.", the so-called parent company to Atlas. While the 2/12/93 letter to the Department avers that the parent has contributed the stock to "its 100% owned subsidiary Atlas... 11, this fact is not reflected on the certificates, nor is there an assignment agreement or any other proof that these assets are held in the name of the carrier Atlas itself. California Insurance Code ("CIC") Section 1100 requires that an insurance company's assets be held in its own name. These stock certificates fail to meet that requirement.

[The stock certificates show the following anomalies, as well: all were issued on the same date, May 28, 1992; none show par value on their face; and none appear to be executed.]

Additionally, the stock is unacceptable pursuant to the standards of CIC S 1196 that investments be of sound nature, as well as the mandate of CIC S 706.5 that investments be liquid, and the requirement of CIC S 1195 that investments be income producing. Atlas's correspondence to the Department of 2/12/93 clearly admits that "These stocks are not rated by Moody's, Standard & Poor, etc. The parent company has issued unsecured debentures to pay for these investments (except for related party stock transaction which has been fully contributed as additional paid-in capital.)"

Not only does the company admit that the stock is not freely traded, but the SEC confirms that these stocks are not listed.

As a result, the stock is incapable of being evaluated by the Department. There is no showing that the stock could be freely traded, thus making it unavailable as a financial resource for the payment of company claims. Therefore, these shares of stock must be discounted, or non-admitted, for purposes of assessing the financial stability of this company.

Since this asset makes up the bulk of Atlas's total listed assets of \$9,348,117, the company's fiscal soundness is thus hopelessly compromised.

(b.) Cash -- --\$102,200.

The Balance Sheet of the "Financial Report" of May 31, 1992, presented on behalf of Atlas, also lists as an asset "Cash" of \$102,200. Note 2 to the Report states that "The Company's cash is held in trust account by its parent Atlas America Investments Inc. in a bank in the United States." Therefore, this asset, as well, must be discounted and non-admitted as not being held in the name of the carrier.

(c.) Property and Equipment -- \$13,763; Organizational Costs --\$7,654.

These items also appear on Atlas's Financial Report of May 31, 1993. However, under Statutory Accounting Principles, such amounts are disallowed; they are not available for the payment of claims.

When the above non-admitted items, totaling \$9,333,617, are deducted from the company's surplus, a minimal surplus of \$8,862 results. Obviously, the company's financial stability is far too frail to allow the continued placement of policies with it.

(III.) REPUTATION AND INTEGRITY ISSUES

(a.) Licensing-in Domicile

While Atlas was apparently incorporated in its domicile, the Turks and Caicos Islands, as early as 1988, the evidence shows that it was not licensed as an insurer in the domiciliary state until August 24, 1992. Nonetheless, Atlas was writing insurance policies on California insureds with effective dates of January 1, 1992. Such a course of conduct reflects poorly on the reputation and integrity of this company.

(b.) Self-Dealing of Management

Atlas America Investments Inc., a Nevada corporation, is said by the representative of Atlas (insurance company) in its letter of 2/12/93, to be the parent corporation of this carrier. "The insurance company is wholly-owned by its parent Atlas America Investments Inc."

The President and Treasurer of Atlas America Investments Inc. is shown to be Sukhbir K. Singh.

This carrier lists as one of its major assets shares of stock said to be valued at \$9,210,000. When asked for confirmation of such stock, the carrier, by its letter of 2/12/93, enclosed copies of stock certificates purporting to prove up such alleged asset. (The Department's concerns regarding the valuation and marketability of such stock is set forth above.)

One of the companies said to have issued such stock is "SKS Investments Inc." (1000 shares). Sukhbir K. Singh, President of Atlas's parent company is also an officer in SKS Investments. This strategy of self-dealing and lack of arms length transacting in the investment practices of this carrier gives the Department severe concerns regarding the reputation and integrity of Atlas, as well as doubts as to the financial stability of the company.

Additionally, Sukhbir K. Singh is a California licensed fire and casualty agent and broker doing business as Hermann Insurance Brokerage at the same address on Wilshire Avenue in Los Angeles as the sponsoring broker for Atlas, Monika Insurance Services, headed by Mr. Gurjeet Singh.

This arrangement causes the Department to doubt the ability of Monika to perform its due diligence on this company as a result of this apparent conflict of interest. Also, such a configuration of company and broker lends itself to the appearance of direct transaction of insurance business contrary to CIC Ss 1760 et. seq.

The reputation and integrity of this company is accordingly severely compromised.

THEREFORE, PLEASE TAKE NOTICE AS FOLLOWS:

ATLAS INSURANCE COMPANY LTD. is unacceptable for placement of further new or renewal business pursuant to CIC S 1765.1 for all the foregoing reasons, including the lack of financial stability, reputation, and integrity of Atlas Insurance Company Ltd., due to its unsubstantiated and unacceptable assets, and its dubious principles regarding its management practices.

PLEASE TAKE FURTHER NOTE THAT you may make a written request for a hearing within twenty (20) days of your receipt of this order. Should you so request, the Department will set a hearing within thirty (30) days of its receipt of your written request.

Carol A. Harmon
Staff Counsel
(415) 904-5966

cc: Janice E. Kerr, General Counsel
Victoria Sidbury, Chief, Corporate Affairs Bureau

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24th FLOOR
SAN FRANCISCO. CA 94105

Atlas Insurance Company Ltd. May 7, 1993
Duke Street
Turks & Caicos Islands, B.W.I.

Atlas Insurance Company Limited
P.O. Box 156

Hibiscus Square; Pond Street
Grand Turk
Turks & Caicos Islands, B.W.I.

Mr. Gurjeet Singh
Monika Insurance Services
3960 Wilshire Blvd.; Suite 401
Los Angeles, CA 90010

Applied Risk Insurance Services, Inc.
11 Calle Francesca
Rancho Santa Margarita, CA 92688

James Paul Estes
3030 Saturn Street; Suite 202
Brea, CA 92621

Mr. Michael J. Kwiatkowski
K D Excess & Surplus Insurance Service
P. O. 25849
Anaheim, CA 92825

John LePire & Associates
LRO Insurance Services
P.O. 1748
Studio City, CA 91604

Werlhof Aviation Insurance Agency
6289 Freeport Boulevard
Sacramento, CA 95822

**SUBJECT: Atlas Insurance Company Ltd. (Turks & Caicos Islands)
NOTICE OF PROPOSED ORDER PURSUANT TO CIC Sec. 1765.1**

EXHIBIT A

Dear Gentle People:

Pursuant to California Insurance Code (CIC) Section 1765.1, the Department of Insurance has reviewed the submitted financial and other information concerning Atlas Insurance Company Ltd. (Turks &

Caicos Islands) (hereinafter "Atlas"). The Department's review is guided by legal and accounting standards as set forth in the California Insurance Code and other California laws. The Department has a number of concerns which, if not satisfactorily answered, will require the issuance of an Order and Bulletin pursuant to CIC 1765.1 ordering that no further business be placed with Atlas.

I. FINANCIAL INSTABILITY -- UNVERIFIED AND NON-ADMISSIBLE ASSETS

Atlas has failed to respond fully and adequately to Department inquiries concerning the verification and authentication of its assets. The financial documents as presented by the company show the following doubtful and unacceptable assets, which, without satisfactory explanation by this company, would require a CIC 1765.1 Order.

(a.) Shares of stock -- \$9,210,000.

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When the above non-admitted items, totaling \$9,333,617, are deducted from the company's surplus, a minimal surplus of \$8,862 results. Obviously, the company's financial stability is far too frail to allow the continued placement of policies with it.

EXHIBIT A3

REPUTATION AND INTEGRITY ISSUES

(a.) Licensing in Domicile

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This arrangement causes the Department to doubt the ability of Monika to perform its due diligence on this company as a result of this apparent conflict of interest. Also, such a configuration of company and broker lends itself to the appearance of direct transaction of insurance business contrary to CIC SS 1760 et. seq.

The reputation and integrity of this company is accordingly severely compromised.

EXHIBIT A4

ORDER PURSUANT TO CIC 1765.1 WILL ISSUE JUNE 7, 1993

You are hereby notified that unless substantiated, convincing counter-arguments and evidence are timely received by the Department, an order will issue on June 7, 1993, pursuant to CIC 1765.1, advising California surplus lines brokers that Atlas Insurance Company Ltd. (Turks and Caicos Islands) is unacceptable for placement of further new or renewal business.

This order will be based on the lack of financial stability, reputation, and integrity of Atlas Insurance Company Ltd., due to its unsubstantiated and unacceptable assets, and its dubious principles regarding its management practices, as set forth above.

You must offer any counter-argument and evidence on the above issues **in writing**. In order to be considered by the Department, any and all such written counter-arguments and evidence, together with all supporting documentation, must be received by the Department on or by **May 28, 1993**, five working days before the date set for the proposed order.

Please note that if new information is offered, you **MUST** show how that new information meets the Department's standards. For example, if new assets are shown, you are required to substantiate ownership and value of those assets.

You may also request a meeting with Department representatives to discuss a resolution of the issues. However, any such meeting will not extend the time for, nor in any way diminish the need for, **written** counter argument and/or evidence with supporting documentation.

Additionally, upon issuance of the Order, you may make a written request for a hearing within 30 days of such Order. The Department will set a hearing within 20 to 30 days of its receipt of your written request.

EXHIBIT A5

Yours very truly,

Carol A. Harmon
Staff Counsel
(415) 904-5966

cc: Janice E. Kerr, General Counsel
Victoria S. Sidbury, Assistant Chief Counsel

EXHIBIT A6

ATLAS INSURANCE COMPANY LTD

P.O. BOX 156, HIBISCUS SQUARE
GRAND TURKS
TURKS AND CAICOS ISLAND
BRITISH WEST INDIES
TELEPHONE: (809)-94-62504/5
FACSIMILE: (809)-94-62503

Our ref: 10749/MCAL/05.93/875

25th May, 1993

Ms. Carol A. Harmon, Staff Counsel
State of California
Department of Insurance
45 Fremont Street 24th Floor
San Francisco, CA 94105

Dear Ms. Harmon,

We are writing this letter to advise you of the following, prior to filing new documents under Regulation 2174.

1. Atlas Insurance Company Ltd., wishes to temporarily withdraw from the State of California effective immediately for any new or renewal business until proper filing is made under the new Regulation 2174.
2. Atlas Insurance Company Ltd., is in the process of procuring additional contributions to its Capital & Surplus, to qualify under new Regulation 2174.
3. On completion of 2 above, Atlas Insurance Company Ltd., will establish a Trust Account with a qualified U.S. Bank, to comply with the new Regulation 2174.
4. The auditors of Atlas Insurance Company Ltd., KFMG Peat Marwick will be engaged to confirm the asset once 2 and 3 above are completed.
5. Atlas Insurance Company Ltd., intends to file all the relevant documents sometime in June of 1993 by its new filing broker - Hesperian Insurance Services, Sacramento, California.
6. Atlas Insurance Company Ltd., under its new Business Plan intends to diversify its risks by offering a mixed proportion of business coverages for commercial property and casualty, commercial general liability, personal auto, commercial tracking, etc.
7. Atlas Insurance Company Ltd., will during this temporary period, as well as thereafter, continue to service its existing policyholders in the State of California.

Please make a note of this on your records. A copy of this letter is also being sent to the authorized surplus lines brokers for their records.

Yours sincerely,
ATLAS INSURANCE COMPANY LTD.

Gurjeet Singh, Monika Insurance Services, Los Angeles, CA
James Paul Estes, Brea, CA
Michael Kwiatkowsdi, K.D. Excess & Surplus, Irvine, CA
Saed Najafzadeh, United Business Insurance Services, Sherman Oaks, CA
Werlhof Aviation Insurance Agency, Sacramento, CA
Lotus Management Group, Inc., NV