

TECHNICAL ADVISORY

TA 153

March 14, 2000

SUBJECT: California Department of Insurance Orders Seizure of Superior National Insurance Group

BACKGROUND: California Insurance Commissioner Chuck Quackenbush issued a Seizure Order on March 3, 2000, to take control of Superior National Insurance Group.

The Superior Group is comprised of five companies with assets of \$730 million and a 1999 premium income of \$240 million. Four of the companies have been seized by California regulators. They include California Compensation Insurance Company, Combined Benefits Insurance Company, Superior National Insurance Company and Superior Pacific Casualty Company. Appropriate actions relating to the fifth company are being pursued in coordination with regulators in the company's domiciliary state of New York.

Financial examinations of Superior National undertaken by the California Department of Insurance revealed that the company was in hazardous financial condition and was severely under reserved. This prompted the Department to take the serious measure of ordering the company's seizure.

MAIN POINTS: Communication from Superior National Insurance Group by Paul S. Kuhn, Regional Manager, on March 8, 2000, made the following points:

- All claims will be paid, processed and administered by Superior National's local operations as confirmed by the Department of Insurance in California;
- All business transactions will continue to be paid;
- There is no action being taken on Superior's part to cancel policies for reasons other than non-payment of premium.

The California Department of Insurance advised Superior National not to issue any new or renewal business. They were further advised to proceed as follows:

- New and renewal business which has been quoted, bound, but not yet issued, will be processed;
- New business quotes released prior to March 3, 2000, will be honored;
- Renewal business issued and not yet effective will be honored;
- Superior National's agreement with Underwriters Insurance Company (UIC) has been terminated. Policies that had been quoted in UIC prior to March

3, 2000, with effective dates up to March 13, 2000, will be honored, if orders are received.

- Until further notice, Superior National Insurance Group will not release any additional new business quotes.

All midterm processing on in-force business will continue as normal. The audit process will continue as normal.

**NECESSARY
ACTION:**

Circulate this Technical Advisory to all appropriate agency staff members.