

BEFORE THE INSURANCE COMMISSIONER AND THE ATTORNEY GENERAL
OF THE STATE OF IOWA

In re the application of)	
CUMIS INSURANCE SOCIETY, INC.)	
for approval of an Assumption)	FINDINGS OF FACT,
Reinsurance Agreement with)	CONCLUSIONS OF LAW
QBE INSURANCE (AUSTRALIA))	AND ORDER
LIMITED)	
)	(Iowa Code § 521.8)

I. INTRODUCTION

Pursuant to Iowa Code section 521.8 (2011), an application for approval of an "Assumption Reinsurance Agreement" ("Agreement") between CUMIS INSURANCE SOCIETY, INC. ("CUMIS"), an Iowa corporation, and QBE INSURANCE (AUSTRALIA) LIMITED ("QIA"), an Australian corporation, was heard by the undersigned Commission on February 23, 2012. The Commission reviewed the Agreement, to be effective April 1, 2012, attached exhibits, and other relevant filings. The Commission also took notice of the fact that CUMIS is a licensee in good standing with the Iowa Insurance Division ("the Division"), and has current financial statements on file with the Division. Additionally, the Commission noted that QIA is a company incorporated in Australia and is authorized by the relevant regulator, the Australian Prudential Regulation Authority (APRA), to carry on insurance business in Australia.

II. JURISDICTION

The Commission has jurisdiction over this matter under Iowa Code sections 521.3, 521.4, 521.5, and 521.8 (2011).

III. FINDINGS OF FACT

CUMIS and QIA have entered into a Transfer Agreement and Transfer Scheme wherein CUMIS will sell its Australian life and general insurance businesses to QIA (the "Branch Business"). Pursuant to the Transfer Agreement and Transfer Scheme, CUMIS agrees to transfer, and QIA agrees to accept the transfer of, all the insurance contracts and insurance liabilities, and the right, title and interest of CUMIS' Australian branch in the branch reinsurance contracts.

The requirements that CUMIS as the Applicant must meet for approval of this Agreement by the Commission are (1) the interests of CUMIS members or policyholders are properly protected, and (2) no reasonable objection to the application and plan exists.

The Transfer Agreement and Transfer Scheme effectively move responsibility for the Australian branch business from CUMIS to QIA, without diminishing the interests of

members or policyholders. QIA will carry out and perform all of the duties, obligations, and liabilities of CUMIS' branch business under the Transfer Agreement and Transfer Scheme. QIA's assumption of these contract responsibilities should not adversely impact CUMIS' existing policyholders.

APRA approved various aspects of the Transfer Scheme on December 13, 2011, subject to confirmation by the Federal Court of Australia. The federal confirmation hearing, where QIA expects judicial approval of Transfer Scheme, is scheduled for February, 29, 2012.

The Commission finds that, under the facts presented here, the Transfer Agreement and Transfer Scheme achieve the same result as a reinsurance and assumption agreement contemplated by Iowa Code chapter 521.

IV. CONCLUSIONS OF LAW

The legislature has vested discretion in the Commission not only to make factual findings, but also to interpret and apply the law. Iowa Code sections 521.3 and 521.8 permit the Commission to approve a reinsurance and assumption agreement if it determines that the applicant has sufficiently demonstrated the two criteria listed in section 521.8 to the Commission.

After a careful review of the record, the Commission concludes upon substantial evidence that the proposed Transfer Agreement and Transfer Scheme between CUMIS and QIA meets the two requirements of Iowa Code section 521.8 (2011). The Agreement should be approved.

ORDER

IT IS THEREFORE ORDERED that:

CUMIS Insurance Society, Inc.'s application for approval of its Transfer Agreement and Transfer Scheme with QBE Insurance (Australia) Limited is **APPROVED**.

DATED this 23rd day of February, 2012.

/s/
JAMES N. ARMSTRONG
Deputy Commissioner of Insurance

/s/
JEANIE KUNKLE VAUDT
Assistant Attorney General

Copy to:

Mark Dickinson, Esq.
Nyemaster Law Firm
700 Walnut Street, Suite 1600
Des Moines, Iowa 50309
mcd@nyemaster.com

Attorney for CUMIS Insurance Society, Inc.