

should submit their views in writing by September 12, 2003, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After September 12, 2003, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### **AGL Resources Inc. et al. (70-9813)**

AGL Resources Inc. ("AGLR"), located at Ten Peachtree Place, NE., Atlanta, Georgia 30309, a registered holding company under the Act, and its wholly-owned subsidiary, Global Energy Resource Insurance Corp. ("GERIC") located at Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, (collectively, "Applicants") have filed a post-effective amendment under sections 9(a) and 10 of the Act to their application previously filed with the Commission under sections 6(a), 7, 9(a) and 10 and rule 43 of the Act.

Applicants are seeking authorization for GERIC (1) to provide finite insurance program services to AGLR and its subsidiaries ("AGLR System") as described in more detail below, and (2) to retain additional risk associated with the AGLR System's self-insured retention.

By an order dated April 13, 2001 (HCAR No. 27378) ("Captive Order"), the Commission authorized AGLR to organize a subsidiary to underwrite a certain portion of the insurance purchased by the AGLR System companies, which risks it would then transfer to third-party reinsurance companies. In particular, the subsidiary would underwrite coverage for the AGLR System companies over their self-insured retention and above a layer of traditional insurance. The subsidiary was also authorized to retain a small amount of risk, not to exceed \$1 million, for each type of insurance coverage ("GERIC Retained Risk Limit"). In accordance with the Captive Order, AGLR formed GERIC, which began to provide insurance services to the AGLR System on May 1, 2001.

Applicants state that the AGLR System maintains insurance for automobile and general liability exposures, directors and officers

liability, "all risk" property coverage, workers' compensation liability and other risks. In addition, the AGLR System companies may provide wrap-up construction insurance coverage to nonaffiliated construction contractors working for the AGLR System. The AGLR System currently maintains a self-insured retention with respect to its insured risks of up to \$1 million (except with respect to automobile liability and terrorism insurance, where the self-insured retentions are \$2 million and \$5 million, respectively) and purchases insurance to cover risks over and above that amount.

The Captive Order noted that GERIC was authorized to operate as an insurance company in the British Virgin Islands. Initially, GERIC would focus on providing insurance coverage for automobile, general liability, risk property, boiler and machinery, directors and officers, crime, fiduciary and workers compensation. The Captive Order noted that, in the future, GERIC might seek to underwrite additional types of insurance and retain a small amount of risk that for each additional type of insurance would not exceed \$1 million. GERIC may underwrite additional types of insurance only when: (1) A reinsurer is ceded 100% of the underwritten risk; (2) the insurance is related to an authorized or permitted AGLR System business activity; (3) direct placement of reinsurance by GERIC could be reasonably expected to save the AGLR System a portion of the risk premium it would otherwise have paid; and (4) normal deductible amounts are retained by the AGLR System companies and where GERIC can obtain, as appropriate, excess or stop-loss coverage.

The Applicants state that GERIC targets its underwriting activity on the portions of the AGLR System's liability program where the greatest cost savings are possible. Presently, GERIC provides excess coverage for the types of insurance listed above that is placed above the AGLR System's self-insured retention and above a layer of traditional coverage that is maintained by AGLR for the benefit of the AGLR System. GERIC reinsures all of the risks that it underwrites with reinsurance companies, except with respect to coverage for property crime where it also covers a \$500,000 AGLR System deductible. GERIC intends to begin providing construction wrap-up insurance in the near future.

Applicants now propose that GERIC offer the AGLR System a finite insurance program that would provide coverage for the layer of risk, currently covered by traditional retail insurance

carriers, that resides between the self-insured retention and the excess risk reinsured by GERIC with reinsurance companies. This intermediate layer of insurance coverage extends generally from the self-insured retention level to the \$10,000,000 level. Because this intermediate level of coverage is more likely to be accessed by a claim than the higher layer of excess coverage, it is responsible for a significant percentage of the AGLR System's premium costs.

Under the finite insurance program the AGLR System companies would use premium dollars presently used to acquire traditional insurance coverage for the intermediate risk layer to fund a reserve that would be used instead of traditional insurance coverage to cover losses related to the intermediate risk level (*i.e.*, the risk above the self-insured retention and below the reinsured risk). For example, the AGLR System's premiums for intermediate risk layer coverage are expected to be approximately \$2.5 million per year, including the construction wrap-up program that GERIC intends to initiate in October, 2003. After collecting the AGLR System's finite premium payments, GERIC would invest the payments in reserves consisting of U.S. Treasury securities and other securities permitted by section 9(c) of the Act and rule 40. The balance of the premium payments (less GERIC's at-cost administrative expenses) not invested in reserves would be used to purchase third-party coverage for any loss that could not be covered by the reserve maintained by GERIC. As the reserves accumulate over several years, the third party coverage would be expected to become less expensive. In addition, when the reserve reaches an amount adequate to cover anticipated losses, the reserve funding commitment from the AGLR System companies can be reduced with commensurate premium savings.

The finite program would not increase the risk of an uncovered loss since amounts held by GERIC in reserve would be invested in secure assets and available to fund claims. Uncovered losses also would be avoided because third party provided coverage would be in place to the extent GERIC's reserves were not fully funded at the time of a loss. Reinsurance would continue to be maintained to cover liabilities that would exceed the intermediate layer of liability coverage that would be provided by the combination of GERIC's reserves and the third party coverage. The finite program would provide the opportunity to further reduce the AGLR System's insurance costs because once GERIC's reserves have been fully