

Restructuring Mechanisms for Troubled Companies (E) Subgroup

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- Restructuring Mechanisms for Troubled Companies Subgroup was formed in 2008 by the Financial Condition (E) Committee
- CT (Chair), CA, DE, FL, IA, NY, PA, RI, and VA
- Charges were initially proposed to the E Committee at the 2007 Fall National Meeting by the Receivership & Insolvency Task Force

Subgroup's Charges

- Undertake a study of solvent schemes of arrangement (solvent run-offs) and Part VII portfolio transfers (a transfer leaving no recourse to original contractual obligor/insurer) and any other similar restructuring mechanisms to gain an understanding of:
 - (i) how these mechanisms are utilized and implemented;
 - (ii) the potential affect on claims of domestic companies, including the consideration of preferential treatment within current laws;
 - (iii) how alien insurers (including off-shore reinsurers) who have utilized these mechanisms might affect the solvency of domestic companies; and
 - (iv) best practices for state insurance departments to consider if utilizing similar mechanisms in the United States and/or interacting with aliens who have implemented these mechanisms.

- The Subgroup's focus is limited to situations where the legal entity is in a financially troubled condition which could potentially lead to an insolvency in the foreseeable future
- The Subgroup won't consider situations where the insurer is merely inconvenienced by a particular book of business
- Subgroup's Website – Comment letters
http://www.naic.org/committees_e_restructuring.htm

- 2007 NAIC Insurance Department Resources Report (modified) shows claims in progress in the US:
 - \$35 billion for solvent run-offs
 - \$1.8 billion for supervisions
 - \$8.2 billion for rehabilitations
 - \$51.6 billion for liquidations

2007 Statistics

	Run-offs	Supervisions	Rehabs	Liquidations
Initiated	21	9	13	15
Completed	36	9	8	17
In Progress	99	30	72	342

- General Advantages and Disadvantages
- Types of Alternative Restructuring Mechanisms
 - Description/Goals
 - Advantages/Disadvantages
- Observations and Considerations
 - Use of Permitted Practices
 - Surveillance Monitoring
 - Public Policy and Consumer Protections
- Scope and Procedural Safeguards

- Potential Effect on Claims
 - Surplus Lines Claims
 - Reinsurance Claims
- Considerations when an Alien Insurer Utilizes Restructuring Mechanisms
- Considerations when a Reinsurer Utilizes Restructuring Mechanisms
- Appendix
 - Case Studies
 - Sample Orders
 - Sample Restructuring Plans