

# Essential Information and Processes for Orderly and Efficient Transition to Liquidation

## Pre-liquidation (Earliest Possible)

- Centralized Contact
  - The National Conference of Insurance Guaranty Funds (NCIGF) work with the domiciliary GA to coordinate and assist with troubled companies
  - Guaranty Support, Inc. (GSI), a subsidiary of NCIGF, is often engaged on a confidential basis to assist with data analysis and preparation during supervision or rehabilitation.
    - GSI Resources: [LINK](#)
- Confidentiality
  - Determine the need for a confidentiality agreement/Memorandum of Understanding (MOU) to share information and proactively address matters to enhance readiness and responsiveness in assisting policyholders if and/or when the need arises
  - Enter into an MOU with the domiciliary GA with the goal of all affected GAs entering into the agreement
- Essential High-level Information (critical for GA staffing and IT resource planning to ensure prompt and effective assistance for policyholders)
  - **Note:** *The identity and location of the company are not required during this phase.*
  - Licensed states
  - Estimated claim counts by state
  - Estimated claim counts by line of business
- Potential in-force policies at liquidation, by state (Unearned Premiums)
- Information on data, including systems, locations, and condition (Timely transfer of claim files is critical for policyholder protection)
  - IT Staff Information ([LINK](#))
    - What technology resources/vendors are needed
    - Receiver's plan for existing IT staff and vendors
      - The GAs encourage and support efforts to retain key personnel and vendors and are open to assisting in efforts to achieve that objective to support continuity and preserve institutional knowledge. There may be interest among GAs in hiring or contracting with departing staff to assist with ongoing operations
  - See Insolvency Data Processing Guide: [Insolvency Data Processing Guide - GSI](#)
  - How difficult will it be to retrieve data from the system(s)? *This type of material may have already been compiled by the regulator as part of an IT or financial exam.*
    - Identify Claims System(s) & File Location(s)
      - In-house v. Distributed among third-party administrators (TPAs)
      - Commercial v. Homegrown
      - Legacy v. Modern (SQL) Database
    - How many Systems and the System Name(s)
    - Is the data co-mingled with that of companies not involved in the rehabilitation or liquidation?
    - Data Formats
      - Volume of imaged files
      - Paper files

- Legacy data formats
- Claim File/ Policy Conversion to UDS
  - Sample UDS data
    - Form UDS Test Group
    - UDS Data Mapper/ IT support available
  - [Priority of UDS Records for Guaranty Associations - Insolvency \(LINK\)](#)
  - Data privacy/security - Secure UDS (SUDS) - [UDS Manual \(LINK\)](#)
- Estimated time needed for:
  - UDS conversion/transfer
  - Prepare/ship paper files
- Open claim count and reserve information
  - Summary of claims and reserves by state and line of business
  - Policy Information
    - Sample policy forms/endorsement/declaration pages
    - Any active policies? Please describe.
    - Policy termination date
      - GA coverage typically ends 30 days post-liquidation
- Continuation of critical benefits for claimants
  - Critical benefits might include, but are not limited to:
    - Medical Care
    - Open Cyber Claims
    - WC Indemnity Payments
    - Pharmacy Benefits
    - Homeowners (e.g. temporary housing)
    - Automobile (e.g. inability to utilize vehicle)
  - Template agreements are available from NCIGF and have been utilized in dozens of liquidations to date. These agreements help ensure claimants receive appropriate support and assistance.
  - Special handling issues
    - Process for handling emergency files or hardship cases
    - Listing of TPAs, description of contractual arrangements and copies of pertinent contracts
    - Listing of claims in litigation or dispute and assigned defense counsel
- Contact list for key parties and critical benefits (LINK)
  - Receiver's contact information
  - Guaranty fund contact information
  - Coordinating Committee/ NCIGF contacts
- Claims in Litigation
  - List of litigated claims by type of claim
  - List of attorneys/firms
- Policyholder and Claimants GA Questions
  - The GAs should provide the receiver with information/script that addresses policyholders' and claimants' questions about guaranty association coverage, which should include the designated email address and/or main phone line.
- Process for Unearned Premium (UEP)
  - Having a runway prior to liquidation is helpful
    - Liquidation order with a delayed effective date
  - Potential UEP exposure

- Discuss potential GA obligations
- Date of Policy Cancellation
- Communication with agents
- Timely UEP payment and limiting UEP exposure are valuable, as it gives the policyholders the resources and opportunity to secure replacement coverage
- Anticipated course of action (if known)

#### **Liquidation (Day 0-14)**

- Transfer UDS records
  - UDS Classification for GA expenses
- Need for accurate and consistent information for public
- Statutory deposits per state (general or special)\*
- Vendor list\*
- Process and procedures for an orderly transition\*
  - Overview of the company's corporate history
    - Acquisitions and/or novation and assumption agreements
    - Insurance Business Transfers (IBTs) or Divisions
- Process for forwarding mail received by the company that needs to be directed to a GA

#### **Estate Management (Day 14 - 5 years)**

- Financial reporting
  - Estimated assets/ liabilities
  - Cash flow/ current ability to fund claims
  - Outstanding checks
  - Confidence level of asset books/accuracy of book
- Records management guidance
- Over-the-cap process
- Reinsurance collections and communications
  - Reinsurance arrangements
- Large deductible business?
  - Collection reporting
  - Preferences for GA accounting
- Early access agreement - *Template agreement available from NCIGF*

#### **Estate Closure Preparation (Last 5 – 10+ years)**

- Large deductible collateral releases
- Approach to valuing outstanding reserves
- Proof of claim and final notice of determination
- Federal release

#### **Estate Closure & Post-Estate Closure (Last 6 months prior to closure)**

- Final distribution

- Records destruction and guidance
- Lessons learned

*\*These items are also requested, when available, pre-liquidation, as they help ensure more effective support for policyholders.*

#### **Other Matters**

- MUST have specific language in liquidation order to trigger all affected states
  - “Finding of insolvency with order of liquidation”
  - No partial or ambiguous trigger language
- Confirm D record for expense reporting
- Person “on point” for receiver and GAs
- Medicare Secondary Payer
  - Receiver’s pre-liquidation payments reported by receiver
  - GA’s post-liquidation payments reported by GA
- Ancillary Proceeding Request (NY)
  - If licensed in the state of New York an Ancillary Request is needed.

#### **NCIGF Will**

- Provide an AM Best Report with licensing information
- Pull most recent Annual Statements, including Schedule T
- Coordinate circulation and completion of any confidentiality agreements
- Host documents and reports and limit access pursuant to such agreements
- Draft Executive Summary Company Dossier
- Initiate Coordinating Committee
- Provide notice of rehabilitation/liquidation when available
- Provide contact information for guaranty associations and the receiver’s team
- Host meetings, virtual and in-person
- Coordinate w/ Guaranty Support Inc. ([Home - GSI](#))
- Maintain Court filings