

Pre-Liquidation Planning: Sharing a Common Goal

Regulators and Guaranty Associations are integral parts of the insurance resolution system and share the common goal of supporting a system of policyholder protection. Guaranty Associations are built to take care of claimants quickly in the rare instance when an insurance company fails.

Early engagement between a Regulator and Guaranty Association, prior to an insolvency order, can minimize the impact to insureds and protect policyholders by smoothing the transition from active insurer to insolvency.

While you may be familiar with these concepts, included is a high-level summary to assist with gathering the critical information needed to protect policyholders and pay claims on a timely basis.

Effective And Seamless Transition

Centralized Contact

The National Conference of Insurance Guaranty Funds (NCIGF) is the coordinating body for the state property and casualty guaranty fund system. NCIGF provides a small team to assist with a troubled company. This centralized contact will assist with:

- Pre-liquidation planning, including coordination of a confidentiality agreement
- Coordination of meetings and estate management
- Preparation for estate closure

Confidentiality Agreement

Companies are more complex than ever. They contain:

- Multi-state,
- Multi-line carriers,
- High volume electronic claim files,
- Outdated legacy systems, and
- Various IT systems, including claim operations delegated to multiple Third Party Administrators (TPAs).

Due to these complexities, it is helpful to confidentially share information and proactively address these matters. To assist in this sharing, we have a template Memorandum of Understanding and Confidentiality Agreement available* to facilitate early discussions when companies are at material risk of insolvency.

Readiness Strategy

Beyond the initial check lists* of company information needed for estate management, **preventing interruption of critical benefits** and **preparing claims data** are top priorities to have a quick and successful transfer of claim handling to the Guaranty Associations.

Preventing Interruption of Critical Benefits

Below is a check-list for preventing interruption of critical benefits best addressed prior to liquidation:

- Contact list for critical benefits*
- Pre-insolvency agreements to continue certain benefits:
 - Workers' Compensation Indemnity Payments*
 - Pharmacy Benefits and 24-Hour Care Arrangements*
 - Automobile Personal Injury Protection Claim Payments*
- Cyber, WC, and Commercial insurance require greater advance preparation*.

UDS and Claims Data

The NAIC approved a Uniform Data Standard (UDS)* format developed for Guaranty Associations to read and process claims. It is not an industry standard, so the data must be converted for Guaranty Associations to meet their statutory obligations and pay claims.

Ensuring data readiness can be accomplished by:

- Understanding the UDS framework and IT systems, including TPA and imaging systems
- Identifying IT resources to assist in UDS conversion
- Advanced records testing through Secure UDS (SUDS), a secure data transfer and validation platform and the Data Mapper, a web based application used to facilitate data transfer and records testing
- Demonstration that large data can be extracted securely and quickly within 24 hours
 - Guaranty Support, Inc*, a NCIGF subsidiary, can assist



Pre-Liquidation

Information on data, including systems, location, and condition

Open claim count and reserve information

Negotiation of indemnity prepayment and pharmacy continuation agreement

Contact list for critical benefits

Liquidation

Transfer of UDS records

*Key contacts and organization chart

*Vendor list

*Process and procedures for an orderly transition

Estate Management

Financial reporting

Records management guidance

Reinsurance collections and commutations

Large deductible collection reporting

Early access agreement

Estate Closure Preparation

Large deductible collateral releases

Records destruction guidance

Proof of claim and final notice of determination

Federal release

Estate Closure & Post-Estate Closure

Final distribution

Records destruction

Lessons learned

Confidentiality Agreement



Liquidation Order



Ongoing Management



Preparation for Closure



Closure Order



Earliest Possible

Day 0 - 14

Day 14 - 5 years

Last 5 - 10+ years

Last 6 months prior to closure

*These items are also requested pre-liquidation if available