

## **FREQUENTLY ASKED QUESTIONS**

### **Liquidations**

**1. What happens when a company becomes insolvent and is liquidated?**

Liquidation is similar to bankruptcy. When a company is liquidated, the Insurance Department's Office of Liquidations, Rehabilitations and Special Funds gathers the company's assets and determines what liabilities, such as bills and claim payments, it has. The Statutory Liquidator then develops a plan to distribute the company's assets according to law and submits the plan to the Court for approval. The liquidation process is very complex and is expected to take several years.

**2. You say my insurance company was ordered liquidated. Does this mean my policy is worthless?**

No. Although your insurance company has been placed into liquidation, the guaranty association in the state where you reside or where the property is situated may be obligated to provide coverage under insurance policies issued by your insurance company subject to certain defenses and limitations. Coverage of your claim under a guaranty association law is determined by the guaranty association in accordance with its guaranty association act, not by the Liquidator. Any claim or portion of it that is not covered by a guaranty association becomes a claim against your insurance company estate. The amount deemed to be an allowed claim will be paid to the extent funds are available, on an equal basis with all other claims in the same category. These claims may be paid in full, in part, or not at all, depending on the available assets. These claims may not be paid for several years.

**3. What is a guaranty association?**

A guaranty association is an association of all insurers licensed to write property and casualty or life and health insurance in a state. Subject to statutory eligibility and claims payment limits, a guaranty association assumes the obligations of licensed insolvent insurers in that state for residents or property insurance in that state. A guaranty association obtains funds to meet its obligations by assessing the member companies.

**4. Will my claims be paid in full by the guaranty associations?**

All payments are subject to certain statutory limits contained in the various state laws creating the guaranty associations. In no case will payments exceed the applicable policy limits.

**5. I have questions about what is and is not covered by the guaranty association. Who can answer these questions for me?**

You can address your questions about your property and casualty guaranty association's responsibilities to the guaranty association in the state in which you reside. The website of the National Organization of Life & Health Insurance Guaranty Associations (NOLHGA) contains a list of life and health guaranty associations by state and the National Conference of Insurance Guaranty Funds (NCIGF) contains a list of property and casualty guaranty association by state.

**6. How do I file a claim against my insurance company?**

If you believe you have a claim against your insurance company you must file a proof of claim with the Statutory Liquidator using the enclosed proof of claim form. Even if you have a claim already pending with your insurance company you must file a proof of claim. If your claim is a new claim, you should attach documentation to the proof of claim to document your claim. If your claim has already been submitted to your insurance company, you must complete the proof of claim form, but it is not necessary for you to attach additional documentation. If additional information is needed at a later date, you will be contacted. If you have more than one claim against your insurance company, you may duplicate the proof of claim form to submit each claim separately.

**Rehabilitations**

**7. What Does Rehabilitation mean?**

Rehabilitation is a court supervised process intended to remedy the company's financial deterioration for the benefit of policyholders and creditors. The Rehabilitator is charged with the protection of the company's policyholders, creditors and the public. The rehabilitators actions are dictated by the laws and regulations of Pennsylvania and are subject to review by the Commonwealth Court.

**8. What does the Rehabilitation Order provide?**

Generally, the Rehabilitation Order, in keeping with Pennsylvania law appoints the Commissioner as Rehabilitator and authorizes and directs the Commissioner as Rehabilitator to take possession of the company's business and take such actions as are necessary to correct the condition that prompted the rehabilitation.

**9. How will rehabilitation change the company's business?**

Initially the company will continue operating largely as it has been though under the control of the Rehabilitator. Cost saving measures will be implemented immediately as efforts to conserve the company's assets and control its debts. If a Rehabilitation Plan is approved by the Court, changes will be made in the company's business under the plan.

**10. How will the company be rehabilitated?**

The Commissioner will propose to the Court a plan for the rehabilitation of the company (the Rehabilitation Plan) which may include modifications of premiums and benefits of insurance policies. Notice and details of the Rehabilitation Plan will be provided to all policyholders and interested parties and they will have an opportunity to comment upon, or object to, the proposed Rehabilitation Plan.

**11. Where do I find the FAQ sheet specialized for my insurance company?**

There are FAQ sheets, specific to each Pennsylvania rehabilitation/liquidation estate, located on the Liquidations and Rehabilitations website located at <http://www.insurance.pa.gov/Regulations/LiquidationRehab>.