



Society of Insurance Receivers

SUMMER 1995

NEWSLETTER

Vol. 4, No. 2

Inside this issue

- Upcoming Events
- Reports
- Feature Articles

Editorial Board

Publication Committee Chair
Douglas Hartz

Managing Editor
Morty Mann

Assistant Editor
Michael Cass

Officers & Directors

President
Jeanne B. Bryant

Treasurer
John A. Massengale

Secretary
Robert A. Deck

Directors
Jeanne B. Bryant
Betty Cordial
Richard Darling
Robert A. Deck
Douglas A. Hartz
John A. Massengale
Michael Miron
Michael Surguine
Philip J. Singer
Mike Marchman
Thomas G. Wrigley

Executive Director
Stephen Acunto

Attorneys
William D. Latza
Martin Minkowitz
Stroock & Stroock & Lavan

Accountant
Stephen Phillips

The views of the authors of articles in the SIR Newsletter are their own and not necessarily those of the SIR Board, Publications Committee or Chase Communications.
© 1995 Society of Insurance Receivers

Florida Supreme Court Dismisses Appeal Filed by Liquidator in Universal Casualty Case

\$15.7 Million Verdict Against BDO Seidman Thrown Out

On March 30th, Florida's Supreme Court in Tallahassee, the state's highest court dismissed the appeal filed by Receiver Alan Gee, in the Universal Casualty case from the decision of a lower court, essentially throwing out the original \$15.7 million jury verdict against BDO Seidman. SIR filed an amicus brief through Dittmar & Hauser supporting the Receiver's position.

The case began its long, arduous litigation in 1989 when BDO Seidman (then Seidman & Seidman) was named a lawsuit filed in Miami on behalf of Universal Casualty, an offshore reinsurance company based in the Cayman Islands that was put into receivership following a scandal. BDO had audited the company, whose Chairman, Vishwa Shahw, was accused of looting its assets and bilking its insurance company customers. In the lawsuit against the firm,

BDO Seidman was, in effect, held responsible for the embezzlement from the company allegedly perpetrated by Universal Casualty's Chairman.

The Florida Third District Court of Appeals reversed the \$15.7 million verdict in 1992, finding in BDO Seidman's favor and throwing out the lower court judgment. On motion for reconsideration, the court of appeals stood by its decision, but certified the question to the Florida Supreme Court. That court refused to listen to the appeal as the issues presented were deemed irrelevant to the case.

John McGrath, Esq. of New York law firm Lane & Mittendorf represented BDO Seidman at trial. The Miami law firm of Holland & Knight, and its lawyers Daniel S. Pearson and Lenore C. Smith, represented BDO Seidman on the appeal.

NAIC Computerizes Disciplinary Records of Insurers, Producers For Guidance of Regulators

WASHINGTON, D.C. — The National Association of Insurance Commissioners (NAIC) is offering a new information tool to state insurance regulators, according to Lee Douglass, president of the association. He said the new CD-Rom product is intended to make information from the NAIC Regulatory Information Retrieval System (RIRS) more readily available for identifying entities that have been subject to regulatory action. He said it will aid regulators and the insurance industry in identifying companies and producers which have been subject of suspensions, revocations, fines and penalties, cease and desist orders, consent orders and many other actions.

"CD-RIRS is a user-friendly innovation that extends our lead in the realm of technology," said Douglass. "In addition, it provides ready access for customers in remote locations or those who cannot access the NAIC database."

With frequent updates, CD-RIRS will be kept current with the NAIC's mainframe database, making information immediately available for background checks and tracking of regulatory actions taken by state insurance departments.

CD-RIRS allows for quick viewing or printing of reports without reformatting the data. In addition, information can be exported to any standard file type, Douglass said.

"Every month, over 500 actions taken by state insurance departments are input into the NAIC Regulatory Information Retrieval System," Douglass added. "With this information now readily available through CD-RIRS, both regulators and insurers can quickly gather data and make informed decisions."

The NAIC conducted a pilot project for CD-RIRS throughout the months of February and March to test the system and the product is now available. For information on obtaining CD-RIRS, contact the NAIC Database Products Department (816)374-7194.

Surplus Adequacy Could Be Impaired - Survey

Future surplus adequacy could be seriously impaired by higher interest rates, according to Tillinghast's 1994 Life Insurance Industry Chief Actuary Survey. Chief actuaries ranked more than a dozen issues that could affect future surplus adequacy for life insurers. 84 percent rated "higher interest rates" as a top concern. 73 percent cited "tax law changes," 71 percent listed "inadequate pricing" and 65 percent mentioned "new insurance regulations."

"Surplus adequacy is a key measure of financial stability for life insurers. Significantly, almost half (49 percent) of the study respondents thought higher interest rates could cause a 'severe problem,'" said Patricia Guinn, a Managing Principal of Tillinghast and co-author of the study. "The industry must reduce the mis-match between assets and liabilities and implement programs to reduce policyholder tendency to disintermediate in order to protect themselves against further Fed action. Perhaps the life insurance companies could use the recent decreases in interest rates as an opportunity to reassess their risk vis-a-vis interest rate increases and take action, if needed, to protect themselves against potential future increases."

Large companies were more concerned about the potential impact of higher interest rates than smaller companies. Smaller (less than \$2 billion in assets) companies were less troubled, presumably because they have less interest-sensitive business and generally view higher interest rates as an opportunity to have more attractive products.

The study was conducted by Tillinghast, a Towers Perrin company. The survey sample included 350 chief actuaries of U.S. life insurance companies with assets ranging from \$100 million to well over \$10 billion. One hundred five chief actuaries responded for a 30 percent response rate. Both stock and mutual companies were represented.

Key survey findings include:

- **Financial Performance Measurement Evolving:** Sixty-one percent of respondents are dissatisfied with their ability to measure the economic contribution of their individual lines of business. Almost eight in ten (79 percent) do not determine the value of new business written during the year on any systematic basis. "Insurers must move beyond traditional measures of financial performance such as statutory or GAAP profits," said Guinn. "Few companies currently use economic value added analysis, which reports on

the added or subtracted value of new business issued. But we see that perspective changing, particularly as more senior managers are recruited into this industry from banking and other financial services providers."

- **Opportunities to Improve Profitability:** More than 85 percent of chief actuaries believe that company profitability could be improved by reducing home office expenses and distribution costs. However, the ownership structure of the respondent's company dictated different priorities. Respondents from mutual companies focused on cutting distribution costs, while their colleagues at stock companies identified more opportunities to reduce home office costs. As Guinn noted, "Mutual companies are more likely to have career agency systems with a large fixed cost component. Management at mutual insurers are beginning to recognize the necessity of revamping the distribution system."
- **Compliance Uproar Forces Change:** Almost half (47 percent) of the companies represented have taken deliberate steps to change their procedures, including upgrading complaint processing (55 percent), reviewing complaints for patterns (52 percent), modifying agent training (44 percent) and establishing revised compliance monitoring systems (39 percent). Over a third (36 percent) are now controlling agent use of advertising material and illustrations. "Anyone who sells a retail product has a potential problem," said Guinn. "Agents in shrinking markets face even more temptation to misrepresent a product — management must resist complacency and remain vigilant. It would be a grave mistake for the industry to think this problem has been 'fixed.'"

"Actuaries used to do calculations for a world that didn't change much — their future tended to look a lot like their past," said Guinn. "But shifting regulations, mutating competitors and evolving product needs all demonstrate that change is inevitable. Actuaries must move beyond a reactionary mindset and learn to expect the unexpected."

Tillinghast, a Towers Perrin company, is a management consulting firm that provides actuarial, claims management, workers' compensation and risk management services. It is headquartered in New York with 35 offices worldwide.

President's Column

I hope all Society members are having as beautiful a Spring as we are here in Tennessee. The weather has been absolutely gorgeous, and being the true Southerner that I am, I am convinced that Springtime in the South is better than anywhere else in the world. Unfortunately, the beautiful weather is not particularly conducive to worrying about reinsurance, claims, or any of the other receivership trivia that is part of the life of a receiver.

Along with being happy that it is Spring, I am extremely gratified that in this newsletter the Board of Directors is publishing to all the members our proposals on accreditation. I urge every member to read this carefully. All principal members will be getting a ballot concerning this proposal immediately after the June NAIC meeting.

As stated in my last column, I believe it to be extremely important for the Society to pass accreditation standards as soon as possible. These have been under consideration for some time, and have gone through several revisions after twice soliciting comments from the members. I believe this proposal is the best possible solution to all the suggestions which we have reviewed. After reviewing this proposal, if you have any concerns, please make your feelings known to the chair of the Accreditation Committee, Dick Darling, so they can be addressed at the next Board of Directors meeting in June in St. Louis at the NAIC meeting. There has been a lot of work put into these

standards by both past and present members of the Board, and I urge all principal members to be sure and vote on these standards when you receive your ballot.

On the lighter side, we had a wonderful roundtable in Miami which is described in another article. Also, information on the upcoming educational programs is noted. We keep getting rave reviews from the roundtables and all the other educational programming, which I think are the most valuable services we provide to Society members. The NAIC/SIR seminar in Savannah has received nothing but positive comments, and I would urge any

member who has suggestions for the 1996 program to forward them to Mike Surguine, as plans are already being formulated for next year's seminar.

Please make note in the newsletter of all the events that will take place for Society members at the NAIC meeting in St. Louis,

including the Society reception being hosted by Society members Walter Lamkin and Thomas McCarthy, of the firm of McCarthy, Leonard and Kaemmerer, Owen, Laderman & Lamkin, L.C.

As always, if you have any suggestions and/or complaints, please let us hear from you as we cannot address problems if we do not know that they exist. Thank you all for your cooperation and assistance during the first half of my year as President. "See you in St. Louis."



Jeanne Barnes Bryant
President, S.I.R.

I am extremely gratified that in this newsletter the Board of Directors is publishing to all the members our proposals on accreditation. I urge every member to read this carefully.



Society of Insurance Receivers
PO Box 9001
Mount Vernon, NY 10552

Chase Communications serves as SIR's administrative office.

1-800-951-2020

Fax: 914-699-2025

Meet Your Colleagues



Randal M. Beach Principal Member

Randal Beach is a lawyer and consultant with twenty years experience in state and local government, lobbying, real estate, insurance regulation and insurance receivership management. He is now an independent consultant affiliated with the New Orleans firm of Legier & Materne.

Mr. Beach is a graduate of Louisiana State University in Shreveport and Southern University School of Law, where he was awarded the Juris Doctorate degree cum laude.

Randal spent several years in the real estate and insurance business and worked as a legislative lobbyist after finishing college and prior to attending law school. During law school, he worked first for the Louisiana Secretary of State, and then for the City/Parish Attorney in Baton Rouge. Following law school, he was appointed Assistant Parish Attorney, then Legislative Coordinator and Executive Counsel to the Mayor, then Chief Administrative Officer of the City of Baton Rouge/Parish of East Baton Rouge.

More recently, Randal spent several years with the Louisiana Department of Insurance, where he began as Assistant Commissioner, Officer of Financial Solvency. He later was named General Counsel to

the Department, and then Deputy Commissioner, Office of Receivership. He managed the Office of Receivership for two years, where his responsibilities included the conservation, rehabilitation and liquidation of over 65 insurance companies and their affiliates. Included in his duties were the management of an in-house staff that grew to 175 employees, in addition to contract attorneys, accountants and other professionals, and the recovery, preservation and investment of insurance company assets.

One unusual feature of Mr. Beach's tenure with the Department was the creation of two new property and casualty companies as wholly-owned subsidiaries of liquidation estates in order to address domestic market capacity problems and maximize assets for the guaranty fund.

Randal is now Senior Consultant with Legier & Materne in New Orleans in the firm's insurance and regulatory services division. Legier & Materne is a CPA and Consulting firm offering accounting and consulting services throughout the country in several disciplines, including litigation support and all components of receivership activity.

With his significant experience in all areas of the Louisiana political scene, Randal Beach is obviously someone you should know when a long night in the French Quarter (where he lives) finds you in need of counsel, a bail bondsman, or a political string to pull!



Roger "R.H." Hahn Principal Member

R.H. as he is known to his many friends in the Continental United States, down island, and offshore has developed a distinguished 30 year career in the insurance industry.

R.H. is owner and President of Coastal Insurance Consultants, Inc. which acts as registered agents in Puerto Rico and the U.S. Virgin Island plus handling admissions, policy and rate filings, business plan development and acting as a service facility for claim adjudications.

R.H. served Corporation Insular de Seguros during 1987 to April 1991 as United States Operations Office representing the company for

admission to the 50 states and U.S. provinces.

Mr. Hahn started his governmental career in 1971 with the Illinois insurance Department as an Examiner, then Chief Examiner, Assistant Deputy Director and then Deputy Director in 1978. He moved to the Florida Insurance Department in 1981, where he was the Judicial Receiver and Assistant Director, responsible for the day to day operations of over 80 estates until 1985.

R.H. gained his education through the Air University at Gunter Air Force Base in Alabama and the University of Illinois majoring in communications.

R.H. is a member of SOFE and a principal member in SIR. Nothing gives him anymore pleasure than sitting on the back of any boat waiting for that giant marlin to strike and take him back to the islands.

Paul Walther, CPCU Sustaining Member

Paul Walther is President of Chiltington-Omni Services, the U.S. subsidiary of the Chiltington International Group which offers a variety of reinsurance services to Regulators and Receivers, as well as to a broad range of clients in the insurance and reinsurance communities.

After majoring in Insurance, and obtaining a B.S. degree in Economics from the Wharton School at the University of Pennsylvania, Paul began his reinsurance career with the reinsurance brokerage firm of Towers, Perrin, Forster and Crosby. Thereafter, he progressed through a series of production, underwriting, and senior management roles in the reinsurance divisions of the Cigna, Commercial Union, and Sentry Insurance Groups, as well as Hamburg International Re prior to the establishment of Chiltington's U.S. subsidiary in December of 1988. Those various roles included a significant administrative involvement in both assumed and ceded reinsurance programs.

Internationally, Paul's travels have taken him to Europe and the Far East, including a three month

assignment working as an understudy to a London underwriter. Along the way, Paul earned the Chartered Property and Casualty Underwriter (CPCU) designation, and currently serves on the national committee of the Reinsurance Section of the CPCU Society which is the nation's leading professional organization in Property and Casualty insurance, with more than 25,000 members.

Paul's articles on reinsurance issues have appeared in such publications as Best's Review, the National Underwriter, Reactions magazine, and The Examiner. One of his articles, entitled "The ABC's of Reinsurance Collections," appeared in a previous issue of the SIR Newsletter.

From an educational perspective, Paul and his firm have also been active in sponsoring reinsurance seminars for Insurance Departments and Receivers, and contributing topical presentations to meetings sponsored by such professional groups as the Society of Financial Examiners.

Paul and his wife Mary have two daughters: Jill, who was recently married, and Cassie who is still in college and seems to have political aspirations. In his spare time, Paul continues to make a valiant effort to improve his golf game.



Walter Lamkin Sustaining Member

Sustaining SIR member Walter Lamkin is an attorney in private practice with the St. Louis, Missouri law firm of McCarthy, Leonard, Kaemmerer, Owen, Laderman & Lamkin, L.C. He insists that getting there was half the fun. Walter completed his undergraduate degree at Colorado State University (with a minor in skiing) and graduated from the University of Missouri School of Law in 1978.

Following a clerkship for the Chief Judge of the Missouri Court of Appeals, the "real world" beckoned and Walter's legal career was launched. Prior to joining his current firm in 1986, Walter was General Counsel to a small reinsurance intermediary

firm in St. Louis which was an excellent background for what was to come. In 1989, the firm was named Special Counsel and later General Counsel to the Receiver for Transit Casualty Company, the largest property/casualty insolvency in the industry.

Since then, Walter has spent a large amount of his time on the Transit liquidation, but also represents other liquidators in the U.S., Bermuda and the UK in their efforts to wind up the affairs of insolvent insurers. When not on an airplane to some distant locale, however, he does have another life.

Walter's wife, Linda, manages the homestead in St. Louis which includes four happy kids with whom he spends most of his free time. On the rare occasions Walter has some personal time, one might find him on the squash court, in a sailboat or on the ski slopes.



St Louis - S.I.R. Schedule

Adams Mark Hotel

9:00am - 12:00 noon Board Meeting, Directors Row 41, 4th floor

Saturday, June 3 Round-Table St. Louis E, 4th Floor

Schedule	Topic	Facilitators
1:00 - 1:45	Office Property - Record Control	Illinois Office of Special Deputy
1:45 - 2:15	"FABE" Update	Charles T. Richardson Baker and Daniels
2:45 - 3:00	Can An Estate Be Closed (Actual Case Study)	William H. O'Bryan Missouri Special Deputy Receiver
3:00 - 3:15	Break	
3:15 - 4:00	Acceleration of Estate Closure and Guaranty Fund Commutations	Robert L. Greer, Esq. West Virginia Special Deputy Receiver
4:00 - 5:00	Open Question and Answer Period	Moderator

Sunday, June 4

8:00am - 12:00 noon Committee Meetings, Directors Row 42, 4th floor

Monday, June 4

5:30 pm - 8:00pm SIR Reception - Hosted by Members Walter Lamkin and Thomas McCarthy - National Bowling Hall of Fame Museum, approximately four blocks from the hotel.

Looking ahead...

Saturday, June 3
St. Louis, MO Round-Table -
Principal & Associate members
and invited guests.
Chair: Bob Deck

Saturday, September 9
Philadelphia, PA Round-Table -
Principal members and invited
guests.
Chair: Vince Vaccarrello

Saturday, December 2
San Antonio, TX Round-Table -
Open to all members and invited
guests.
Chair: Steve Durish

Accreditation Report

Accreditation and Ethics Committee

Your society's board meeting in Miami, Florida on March 12, 1995, saw your board take one of the more important steps in further establishing the Society of Insurance Receivers as a professional, credible organization with stringent yet obtainable standards for the membership to attain meaningful designations in improving the administration of insurance insolvencies by the states. We believe the standards give definition to the term "experienced insurance receiver" and their acceptance will hopefully promote the use of more experienced receivers, and thus increase the effectiveness of our state system of insurance receivership administration. Increasing the effectiveness of our state system of insurer receivership administration is, indeed the ultimate objective underlying all of the objectives of our society.

Subject to the Society's outside counsel's review and clearance of potential trademark or copyright infringements your board is suggesting the adoption of the following designations:

- Certified Insurance Receiver Life & Health (CIR L&H)
- Certified Insurance Receiver Property & Casualty (CIR P&C)
- Certified Insurance Receiver Multiple Line (CIR ML)
- Accredited Insurance Receiver (AIR)

Reprinted herein is the complete resolution as passed by your Board of Directors of March 12.

Many of you have seen proposed accreditation standards in the past. As can be seen, these have been entirely changed by the committee. Our goal was threefold. A) To provide for a designation that was difficult but obtainable for the majority of the Society's membership both associates and principals; B) To provide for a designation progression such as from AIR to CIR; and C) To eliminate the grandfathering of any specific segment of the membership.

We believe that the proposed designations meet the noted goal, are fair, and will be a useful tool in promulgating the continued education and experience

levels of all receivers.

As many of you are aware, the U.K. for many years has used "licensed insolvency practitioners" as the basis for their insurance insolvency profession. While currently not required in the

states, it is not inconceivable that, at some point in the future, a similar requirement will be used. We are aware of at least one bill pending in one state, which would create a type of licensure requirement for insurance receivers.

The support of the membership will be required and a formal vote

will be solicited in the upcoming months.

The support of the membership will be required and a formal vote will be solicited in the upcoming months.

Resolution

In accordance with the SIR By-Laws and to fulfill the objectives of the Society to promote a uniform code of professional standards for insurance receivers (Section 2.2.b) and to cause insurance receivers to aspire to the highest standards by granting permission to use the Society's designations (Section 2.2.e) based on evidence that those high standards have been met;

It is hereby resolved that the Society's designations shall be Accredited Insurance Receiver (AIR) and Certified Insurance Receiver (CIR) with the classifications defined below and the Society will provide a plaque and other documents certifying the granting of such designations; and

That the granting of these designations and maintenance thereof will be subject to the standards defined herein and subject to the provisions in Article IV of the SIR By-Laws regarding and titled "DESIGNATIONS" and the SIR By-Laws generally.

Qualifications for the Certified Insurance Receiver (CIR) Designation

A. The Certified Insurance Receiver applicant must provide evidence accompanying the Society's application form that the following qualifications have been met or that an exception to them is warranted. To qualify for the CIR designation the applicant must:

1. Be a Member in good standing¹ of the Society of Insurance Receivers and must previously

continued on page 10

Committee Reports

Achievement Subcommittee Report

Jim Dickinson,
Chair

Reporters:

Northeastern Zone:

Allessandro Iuppa (ME)

William Taylor (PA)

Midwestern Zone:

Ellen Fickinger

Brian Shuff (IN)

Southeastern Zone:

Robert Greer (WV)

James Guillot (LA)

Western Zone:

Mark Tharp (AZ)

Jo Ann Howard (TX)

International:

Philip Singer (England)

John Milligan-Whyte

(Bermuda)

Jim Dickenson, Chair

I wish to welcome at this time and thank our new reporting state contact persons from the states of Alabama, California, Indiana and Iowa for their

contribution to this issue of our newsletter. Many thanks also go to those reporters who have previously provided achievement news and who have provided information again for our current issue. For those who had news and spring fever, I'll be watching for your reporting form and will include news in your state in the Summer edition of the SIR newsletter.

RECEIVERS' ACHIEVEMENTS BY STATE OR TERRITORY

Receivers' Achievements by State (through the 4th Quarter, 1994)

Alabama (Nelson Burnett, State Contact Person)			
Disbursements Made to Alabama Life Guaranty Association			
		Amount	
	Employers Life Insurance Company	\$ 500,000	
	Old Southern Life Insurance Company	3,000,000	
Delaware (Richard Cecil, State Contact Person)			
Disbursements Made to Delaware Insurance Guaranty Fund			
		Amount	
	Horizon Assurance Company	\$800,000	
	American Mutual Insurance Co of Boston (MA)	137,941 (6/94)	
	American Mutual Liability Ins Co (MA)	112,648 (6/94)	
	Ancilliary Funds Paid to Domestic State Receiver		
	Commercial Standard Ins Co (Texas Receiver)	152,640 (6/94)	
	Eastern Indemnity Ins Co (Maryland Receiver)	32,408 (6/94)	
Indiana (Brian Shuff, State Contact Person)			
Disbursements Made to Various Insurance Guaranty Associations/Funds			
		Amount	
	Allied Fidelity Insurance Co	\$13,130,000	
	Disbursements Made to Class IV (General Creditors/Ceding Companies)		
	Presidio Insurance Co	7,996,389	
Iowa (Thomas Wrigley, State Contact Person)			
Disbursements Made to Iowa Insurance Guaranty Fund			
		Amount	
	Iowa National Mutual Ins Co	\$31,329,663	
New Jersey (Robert Zetterstrom, State Contact Person)			
Estates Closed -	Year Action	Dividend	Insurance
Third Quarter, 1994	Commenced	Percentage	Category
Preferred Indemnity Insurance Co	1990	78%	P&C
Pennsylvania (William Taylor, State Contact Person)			
Disbursements made to Various State Guaranty Associations/Funds			
		Amount	
	American Integrity Insurance Company	\$5,000,000	
	Northeastern Fire Insurance Co of Pennsylvania	1,089,775	

Disbursements made to Policy/Contract Creditors
 Northeastern Fire Insurance Co of Pennsylvania \$21,158,368

Tennessee (Jeanne Bryant, State Contact Person)

Disbursements made to Policy/Contract Creditors

	Amount
Petroleum Marketers Risk Retention Group	\$2,956,416
	(50% Distribution)

Texas (Gale Webb, State Contact Person)

Estates Closed -	Year Action	Dividend	Insurance
Third Quarter, 1994	Commenced	Percentage	Category
Great Southwest Life Insurance Company	1990	N/A	L&H
Southern National Insurance Company	1989	N/A	L&H
United Security Life Insurance Company	1992	N/A	L&H

Ancillary Receiverships Closed

- American Druggists' Insurance Company (OH)
- Early American Insurance Company (AL)
- Great Global Assurance Company (AZ)
- Union Indemnity Insurance Company of New York (NY)

Other Developments

Elizabeth Biaett (CA), reported as to the Mission Insurance Company Trusts, that the California Receiver for the Mission Insurance Company, Mission National Insurance Company and Enterprise Insurance Company filed with the California Superior Court a final liquidation dividend plan, which in part established a final claims bar date of August 18, 1995 for contingent, unliquidated and/or undetermined claims. The plan provides that all contingent, unliquidated and/or undetermined claims filed by the original bar date of September 12, 1987, must be now amended as liquidated claims or otherwise converted to determined and non-contingent claims by August 18, 1995. Any claims not liquidated and determined by the final bar date would be prevented from participating in the final dividend.

During the course of the Mission company receiverships, assets in excess of \$1.25 billion have been marshalled, primarily from reinsurance collections. Approximately \$342 million has been previously distributed in early access distributions to various insurance guaranty funds and the final plan calls for additional distributions of approximately \$460 million.

Elizabeth Biaett (CA) also provided information in connection with the Executive Life Insurance Company Trusts. On January 26, 1995, enhancement trusts which were formed in conjunction with the rehabilitation plan for Executive Life Insurance Company made distributions totaling \$455,000,000. This amount consisted of \$110,000,000 from the Executive Life Insurance Company Trust (principally

litigation proceeds), \$170,000,000 from the Executive Life Insurance Company Real Estate Trust (real estate proceeds), and \$175,000,000 from the Base Assets Trust (securities proceeds). The Enhancement Trusts distributed \$300,809,000 to Aurora National Life Assurance Company and \$154,191,000 to the Opt Out Trust, who have the further responsibility of distributing or crediting the funds for the benefit of policyholders who did or did not participate in the rehabilitation plan, respectively. The Opt Out Trust made its distribution to non-participating policyholders on March 9, 1995, distributing a total of approximately \$330,000,000, including amounts received from the Base Assets Trust earlier in the year. In April, 1995, Aurora is distributing, or crediting as an account value enhancement, the amount it received. The distribution from the Trusts represented an enhancement of policyholder values of approximately 5%. Life insurance guaranty associations who covered policyholders' shortfalls have been afforded certain subrogation rights.

Brian Shuff (IN) reported on the progress of the Mutual Security Life Insurance Company receivership and he stated that early access distributions to life guaranty insurance associations and to policyholders have totaled \$145,000,000 from inception through March 1995.

Robert Zetterstrom (NJ) provided an update covering the Integrity Insurance Company estate. In December 1994, the supervising New Jersey state court approved Integrity making an initial interim distribution of eight percent (8%) to various insurance guaranty funds and to policyholder creditors.

Michael Petrelia (PA) stated that under the

continued on page 13

Accreditation Report

continued from page 7

have received, or concurrently meet the qualifications for, the Accredited Insurance Receiver designation and attest to the intent to meet the requirements to maintain the CIR designation in an active status; and

2. Have had the overall control and management responsibility on a day to day basis of all facets and parts of one or more domiciliary, core or main receivership operations² or proceedings for a cumulative minimum of three (3) years³ and must have been active in such at some time during the twelve (12) months prior to the date of application for the CIR designation; and

AIR

3. Have managed a receivership estate, or estates, with at least twenty-five million dollars (\$25,000,000.00) in demonstrable cumulative assets,⁴ and

4. Have managed an estate in which reinsurance is a material determinant of net assets, which must include experience in the com-

mutation of substantial ceded or assumed books of business or the negotiation or transfer of liabilities to an assuming carrier; and

5. Have managed receiverships with the responsibility for handling and processing at least five thousand (5,000) policyholder, policy claimant or creditor claims; and

6. Pay an initial application fee of one hundred and fifty dollars (\$150.00). Such fee will be in lieu of any application fee for the AIR designation only where concurrent application to qualify for both designations is made.

B. The Accreditation Committee will have the authority to hear exceptions to the above standards or requirements and, after hearing and weighing all evidence that an exception should be made, to make an exception to the requirements, in its sole discretion, subject to later approval by the SIR Board of Directors.

C. The Accreditation Committee will award the designation Certified Insurance Receiver Life & Health, CIR L&H, (which will be deemed to include experience in life, health, accident insurer or health maintenance organization receiverships) or the designation Certified Insurance Receiver Property and Casualty, CIR P&C, or both in a combined designation reflecting the recipient's 'multiple-line' experience, CIR ML, depending on materials submitted with the applications for granting of the designations.

1. The CIR designation will only be granted with, and its use must include, one of the three classifications defined herein.

2. The L&H classification will be granted upon evidence accompanying the application reflecting the overall control and management responsibility on a day to day basis of all facets and parts of one or more domiciliary, core or main receivership operations or proceedings of a life, accident, and health insurer or health maintenance organization for a cumulative minimum of two (2) years.

3. The P&C classification will be granted upon evidence accompanying the application reflecting the overall control and management responsibility on a day to day basis of all facets and parts of one

or more domiciliary, core or main receivership operations or proceedings of a property and casualty insurer for a cumulative minimum of two (2) years.

4. The ML classification will be granted upon evidence accompanying the application reflecting the requirements in subsections 2

and 3 of this section.

Increasing the effectiveness of our state system of insurer receivership administration is, indeed the ultimate objective underlying all of the objectives of our society.

Requirements to Maintain the Certified Insurance Receiver (CIR) Designation

To maintain the CIR designation of any classification the recipient must:

1. Maintain membership in good standing in the Society.

2. Pay annual CIR designation maintenance dues of seventy-five dollars (\$75.00) to be paid with, and in addition to, the Member's annual membership dues, but in lieu of any dues for the AIR designation.

3. Attend approved continuing education (CE)⁵ of at least thirty (30) hours every two years on a calendar year basis⁶, attestation of which must be submitted with evidence of completion or copies showing the program content with the Member's annual and designation maintenance dues. Audits of compliance may be performed by the Accreditation Committee, which may, in its sole discretion, request additional evidence of completion and attendance.

Qualifications for the Accredited Insurance Receiver (AIR) Designation

A. The Accredited Insurance Receiver applicant

continued on page 12

The Loquacious Liquidator

The Loquacious Liquidator happily reports that the lease expired on the pasture out to which he was put and he is now back onto the receivership range. He is not complaining about all the changes but about the lack of change saying it is SIR alright, Stagnant Inert Repose or Surely In Remission. Doug, L L is for loquacious liquidator not lethargic liquidator, right?

He asks, other than self education, mutual admiration and professional designation what are we doing for the good of the order??? An aborted 15% discount on Mealey's ain't exactly the apogee of accomplishment and besides, that is for us members only. If we really get on with what we are about, what we do best, we can afford Mealey's without the discount!

Himself proclaims, winter is past, the regatta ready, the NAIC winds of change are near gale force, set to bear the best manned across the roughest seas, by the toughest competitors to ring the bell and carry it away. Yet, we sit inland debating the color of the sails, don't have one boat in

the race nor one dog in the fight! Passive paths do not lead to regulative nor legislative largesse. Hear, SIR, un-hunker down. Liquidators are navigators, pilots, captains, crewmen. Only rhetorical receivers, non SIR members have to ask whether it is better to have said at our triumphal banquet or at our funeral liquidating laudations such as Mark Antony's oration as reported

to the court by Shakespeare in Julius Caesar, "We must take the current when it serves, Or lose our ventures."

And,

"There is a tide in the affairs of men, Which, taken at the flood, leads on to fortune; Omitted, all the voyage of their life Is bound in shallows and in miseries."

Heed him, SIR constitutes the world's greatest repository of insurance insolvency knowledge. Did we get together to sit on it? We are in a profession that has favored us mightily and it is not fair to those whom we serve or wish to serve to deny them the advantages of our expertise. It is not too late to come

together, with our common goals on common grounds and collectively address our industry. Perhaps it is time we had a closed, members only shared strategy session.

Himself moves this society, SIR, to step forward in unison. We each know of needs for our services and of

It is not too late to come together, with our common goals on common grounds and collectively address our industry.

Perhaps it is time we had a closed, members only shared strategy session.

innumerable instances where those services without us are being "noviced" at great expense to policyholders and taxpayers. It is not fair that we not share our wisdom and in the name of public interest determine collectively to do it the best way how. First class is fun. Let's get off the info highway tour bus stalled at virtual reality and move up—friendly skies beckon.

SIR Training Conference With NOLHGA In 1995

This year's major training event will be a joint conference with the members of the National Organization of Life Insurance and Health Guaranty Associations (NOLHGA). The Conference, BUILDING NETWORKS, will be held Thursday and Friday, November 16 and 17 at the Hyatt Hotel complex in Reston, Virginia.

Last year's joint training with members of the National Conference of Insurance Guaranty Funds (NCIGF) was rated an outstanding success by the 165 attendees. That meeting format — experienced practitioners leading group discussion — was very popular with SIR members. As a result, the NOLHGA/SIR conference will generally follow the same format.

Members of both SIR and NOLHGA would like to know more about how each operates. As a result, several early sessions will address the operating philosophy and approach of NOLHGA, as well as the particular concerns of a Receiver in a life insolvency. Experienced Life Receivers and Guaranty Association Administrators will lead the group discussions which will address various issues related to claims, reinsurance and coverage.

The objective of the training is to build communication networks between Receivers and Guaranty Association Managers, provide knowledge of various operations and provide a format for discussing controversial issues. Any SIR member of NOLHGA Guaranty Association member interested in developing a greater understanding of the operations of Life Receiverships should attend.

Brochures will be available at the June NAIC meeting in St. Louis. If you have questions call Kristine Bean, SIR Education Chair at (312) 347-6942.

Accreditation Report

continued from page 10

must provide evidence accompanying the Society's application form that the following qualifications have been met or that an exception to them is warranted. To qualify for the AIR designation the applicant must:

1. Be a Member in good standing of the Society of Insurance Receivers and attest to the intent to meet the requirements to maintain the AIR designation in an active status; and
2. Have at least five (5) years of insurance industry or regulatory, experience in at least a supervisory or managerial level; and
3. Have at least three (3) years of insurance receivership office experience in at least a managerial level on day to day basis and must have been active in such at some time during the twelve (12) months prior to the date of application for the CIR designation; and
4. Have attended approved continuing education (CE)⁷ of at least thirty (30) hours within three (3) years, on a calendar year basis, of the application for the AIR designation, attestation of which must be submitted with evidence of completion with the application; and
5. Have at least a bachelors degree or functionally equivalent related business experience of at least ten (10) years; and
6. Pay an initial application fee of one hundred dollars (\$100.00).

B. The Accreditation Committee will have the authority to hear exceptions to the above standards or requirements, in its sole discretion, and, after hearing and weighing all evidence that an exception should be made, to make an exception to the requirements subject to later approval by the SIR Board of Directors.

Requirements to Maintain The Accredited Insurance Receiver (AIR) Designation

To maintain the AIR designation the recipient must:

1. Maintain membership in good standing in the Society.
2. Pay annual AIR designation maintenance dues of fifty dollars (\$50.00) to be paid with, and in addition to, the Member's annual membership dues.
3. Attend approved continuing education (CE)

of at least thirty (30) hours every two years on a calendar year basis. Attestation of which attendance must be submitted with evidence of completion, or copies showing the program content with the member's annual and designation maintenance dues. Audits of compliance may be performed by the Accreditation Committee, which may request additional evidence of completion and attendance.

Endnotes

¹ A Member in good standing must be current in their dues and meet the other requirements provided in the By-Laws of the SIR.

² This definition when compared against the definitions of Receiver, Principle and Associate Members (Sections 3.3 to 3.5 in the By-Laws of the SIR) indicates that both Principal and Associate Members may qualify for the CIR (and the AIR) designation. That is, a person can have the day to day management responsibility defined here and not be an appointed receiver under Section 3.3 in the By-Laws of the SIR.

³ The Certified Insurance Receiver, if a candidate for appointment by a court in a state other than where the above experience was gained, should be able to demonstrate a thorough knowledge of the receivership related statutes in that state, but such is not a condition precedent to the designation and the Society does not warrant such knowledge.

⁴ The definition of assets here should include both liquid assets and non-liquid assets only where such non-liquid assets are stated at their net realizable values. Where such net realizable values are not reflected the Accreditation Committee, in its sole discretion, may consider estimates provided by the applicant.

⁵ The definition and certification of approved CE will be the responsibility of the Education Committee of the SIR. However, it is the intention of this resolution that CE hours for these designations include hours applicable toward maintaining other licenses or designations such as CPE for a CPA, CLE for lawyers and hours offered with regard to CPCU, FLMI, CFE, AIE, CIE requirements and hours offered by the SIR, NAIC, NCIGF, NOLHGA, CPCU, SOFE, IRES, ABA or various state CPA or Bar organizations, and should further include credit for hours spent in preparing articles or in speaking or teaching, provided some connection to insurer receivership administration can be shown with respect to such hours of CE.

⁶ Consideration was given to a fifteen (15) hour per year requirement. However, providing two years to obtain thirty (30) hours provides needed flexibility to the designee and should lessen the administrative burden of tracking these hours.

⁷ See footnote above regarding approved CE.

Miami Roundup

For all Principal members opting to play golf, enjoy the Saturday sun or just unlucky enough to not be able to come to Miami; you missed a very formidable and interesting Roundtable Meeting on March 11, 1995.

Under the chair of Roger (R.H.) Hahn of the vista Consulting Group, lively discussions were initially given by Ms. Belinda Miller, Assistant Director of the Florida Department of Insurance Division of Rehab, and Staff Attorney Karen Asher-Cohen on Florida's experiences in handling Unauthorized Insurers/Entities.

Tom Tew, the Senior Partner at Tew, Pedrosa-Garcia & Beasley Miami offices, and Laurie Holtz CPA of Rachlin, Cohen & Holtz addressed current key issues of Officers, Directors & Accountants Malpractice Litigation in Florida plus their workings in assisting Receivers in lawsuits, litigation support and forensic accounting.

Ms. Helen Hauser, one of the co-founders of the Dittmar & Hauser law firm from Coconut Grove, Florida presented *Gee v. Seidman* and *Seidman* and her representation of the society of Insurance Receivers in its "Amicus." Helen was directly on point in her frank

discussion of the legal obstacles associated with this accounting malpractice case and its potential effect upon all Receivers.

Assisting this most noted group in the free-form Roundtable were attorney Mark Raymond of Tew, Pedrosa-Garcia & Beasley and attorney David Dittmar of Dittmar & Hauser who addressed some most unusual related litigation from Guaranty Security Life Insurance Company, George Washington Life Insurance Company and International Medical Center.

Principal member Robert L. Greer's subject matter of "Acceleration of Estate Closure & Communications of Guaranty Fund Claims" will be presented at our June 1995 Roundtable in St. Louis, Missouri.

As you can see, we had a great interchange and sharing of up to date litigation that can be utilized to the fullest by all Receivers and Principal SIR members.

CLE, CFE, and CPE credits were given to all attendees, so mark your calendars now for the June 3, 1995 Roundtable.

-R. H. Hahn

Committee Reports

continued from page 9

rehabilitation proceeding of the Mutual Fire, Marine and Inland Insurance Company, the receiver's staff completed payment of 100% for settled and approved policyholder creditors' claims during the fourth quarter 1994.

William Taylor (PA) as a follow-up to his report in the SIR Winter 1994 issue covering the rehabilitation plan for the Fidelity Mutual Life Insurance Company, advised that in January 1995, the Pennsylvania receiver filed an Amended Plan for the Rehabilitation of the Fidelity Mutual Life Insurance Company ("FML"). The Amended Plan provides the details about the Stock Purchase Agreement whereby Presidential Life Insurance Company ("PLIC") agreed to pay up to \$45 million for a 49.9% interest in the new holding company, Fidelity Insurance Group ("Group"). The remainder of Group stock will be distributed to policyholders and creditors under the Amended Plan. The holding company for PLIC, Presidential Life Corporation ("PLC"), also provided a debt commitment for \$25 million in exchange for certain debt securities. The total amount of up to \$70 million will allow Group to capitalize Fidelity Life Insurance Company ("FLIC") which will assume the insurance liabilities and most of the FML assets. The insurance contracts will be essentially unchanged from the FML policies currently held, except that policy provisions relating to voting rights or participation in

the surplus through dividends of a mutual company will be deleted and replaced with an excess interest provision. Otherwise, there will be no modification of the policies, including policy guarantees, guaranteed crediting rates, mortality tables and value calculations. Moratorium charges will be imposed for a period of two years, in addition to any surrender charges. The moratorium charge for the first year will be 14% and 8% for the second year. All policyholders will receive one share of Group stock and policyholders with cash value policies will receive additional stock in compensation for impairment suffered during the moratorium on surrenders and policy loans. It is expected that Group stock will also be available to make a distribution to creditors. Because policies are not being materially modified, there will be minimal involvement of the life insurance guaranty associations.

Robert Greer (WV) reports that three settlements totaling \$7,416,000 have been reached in the receivership proceeding of the George Washington Life Insurance Company. A partial settlement of \$1,875,000 was approved on February 13, 1995 by the supervising West Virginia state court between the receiver and a former director (and attorney for the company) and his professional liability carrier. Also pending approval by the court are two additional settlements, one with the company's auditors in the amount of \$4,375,000 and the other settlement of \$1,166,000 involves another attorney and her law firm under another professional malpractice claim.

Publications Committee Report

Your Publications Committee is pleased to announce that the SIR Directory of Members should be mailed out to all members and state insurance departments shortly after the mailing of this issue of our Newsletter. Many members (and others) took advantage of this excellent opportunity to advertise and it is anticipated that the amounts of advertising will grow with each future edition of the SIR Directory of Members.

We did have to simplify the Directory listings of members because too many members listings were received that did not use the form designed for providing detail background with each member's listing. The listings in this first edition of the Directory will only have each member's current address, affiliation, phone and facsimile numbers and membership classification. It is very important that these listings be consistent in content and format to provide an equivalent and nonpreferential benefit to all members. Simply sending in your resume will not do. Printing some resumes and the rest in listing would be unfair. Printing every members resume would produce a volume roughly the size of a metropolitan phone book. Such would be expensive and less useful. This is why we had asked all members to be sure to reflect the relevant detail using the forms provided. When we solicited this detail from the membership, it was with the intent that the listings with defined detail would not themselves

serve as advertising. The intent was to provide useful, objective and equivalent details regarding the SIR membership for the intended users of the Directory - fellow members and state insurance departments.

This Directory will be a very useful benefit of membership in the SIR allowing all of us to be able to find each other more readily and providing a fairly complete listing of everyone involved in the effective administration of insurer receiverships. In the next issue of the Directory we will again attempt to provide the expanded detail with the listings and so it will be important to fill in the next round of forms with the appropriate information.

We are always looking for relevant matters to cover in our SIR Newsletter and your suggestions and contributions are welcomed and encouraged. If you have a feature article please submit copies of it to our Executive Director and the Publications Committee. We set the plan for each issue during our Publications Committee meeting at the NAIC meeting preceding the next issue date so that we can mail the Newsletter three to four weeks before the NAIC meeting with which it is connected.

The SIR committee meetings will be held on Sunday morning from 8:00 a.m. until 12:00 noon. You are encouraged to attend these meetings and should check the SIR display for the exact time on Sunday for each respective committee's meeting.

**March 31,
1995 and
1994**

Society of Insurance Receivers Balance Sheet

Assets		
	YTD	Prior YTD
Current Assets		
Wilmington Trust Checking Acct	\$26,989.67	31,365.30
Cash on Hand		
Wilmington Trust CD	25,981.16	25,000.00
Accounts Receivable	290.00	290.00
Investment Income Accrued	77.41	
Total Current Assets	53,338.24	56,655.30
Property, Plant and Equipment	1,367.50	1,367.50
TOTAL ASSETS	\$54,705.74	\$58,022.80
Liabilities and Equity		
Current Liabilities		
Accounts Payable		7,114.50
Prepaid Dues		
Total Liabilities		7,114.50
Member's Equity		
Fund Balance	4,077.26	34,904.34
Special Reserve	25,000.00	
Net Income	25,628.48	16,003.96
Miscellaneous		
Total Member's Equity	54,705.74	50,908.30
Total Liabilities and Equity	\$54,705.74	\$58,022.80

We're pleased to announce another

member benefit

Save on your subscription to

Mealey's Litigation Report: Insurance Insolvency

The officers of SIR have developed an opportunity for members to get a discount on subscriptions to this report. This is a special benefit of membership in addition to our workshops, newsletter and other activities.

Mealey's will allow a discount of 15% off the annual subscription price to subscribers who are paid up members of SIR once a group minimum of 50 SIR subscribers is met. The annual subscription price for Mealey's Litigation Report: Insurance Insolvency, which is normally \$795 will be discounted to \$675.75 — a savings of \$119.25 each year. This will apply to both new and renewal subscriptions which begin after the minimum of 50 is met. Subscriptions prior to that time will continue at the full price rate.

All SIR members will receive a direct mailing from Mealey's which will include a subscription form for the SIR discount. To qualify, SIR members must declare that their membership is current and paid in full. Mealey's will hold all discount applications until the minimum is met (estimated February or March 1995) and this program can go into operation.

Through this program SIR members who subscribe to "Insurance Insolvency" will save enough to largely offset their annual SIR membership fee. If this first discount program is well received, your Membership Benefits Committee will seek similar discounts on additional publications of Mealey's or others. We welcome your suggestions.

Watch for news of this money-saving benefit.



Society of Insurance Receivers
25-35 Beechwood Ave.
P.O. Box 9001
Mt. Vernon, NY 10553



FIRST CLASS
U.S. POSTAGE
PAID
Mt. Vernon, NY
Permit No. 7