

ORDER R98-06

June 17, 1998

DIRECTOR'S APPROVAL OF ALHIGA'S RESPONSE TO CENTENNIAL LIFE INSURANCE COMPANY INSOLVENCY

By letter of June 8, 1998, the Alaska Life and Health Insurance Guaranty Association (ALHIGA) requested the approval of the Director of the Division of Insurance to pay certain covered claims to and on behalf of Alaska residents arising from the Centennial Life Insurance Company (CLIC) insolvency. In response to that request, the Director finds as follows:

BACKGROUND

1. CLIC is a "member insurer" of ALHIGA, as defined in AS 21.79.900(6). CLIC was licensed to sell health and life insurance in the State of Alaska under Certificate of Authority #F-1198, dated February 15, 1978. This certificate was revoked by order of the Director dated May 29, 1998.
2. By order dated February 4, 1998, the District Court of Shawnee County, Kansas, issued a rehabilitation order placing CLIC into rehabilitation. On April 21, 1998, as a result of CLIC's deteriorating financial condition, the receiver filed a petition for CLIC's liquidation. On May 27, 1998, the Final Order of Liquidation was signed by Judge Matthew Dowd, of the District Court of Shawnee County, Kansas, Civil Court Department.
3. The Director has been advised by ALHIGA that the CLIC estate has not been able to pay covered claims since mid-April 1998.
4. The National Organization of Life and Health Guaranty Associations ("NOLHGA") and the Special Deputy Liquidator are currently working to develop procedures and time tables for paying covered health and disability claims. NOLHGA, on behalf of participating guaranty associations, and the Special Deputy Liquidator are currently preparing a service agreement whereby CLIC claims personnel will continue to process covered claims until the underlying policies are canceled or reinsured.
5. Under AS 21.79.060(d), ALHIGA is required, with the approval of the Director, to take one of the following actions if a member insurer becomes insolvent:
 - (1) guarantee, assume, reinsure, or provide for the guarantee, assumption, or reinsurance of the covered policies of the insolvent insurer held by residents;
 - (2) assure payment to residents of the contractual obligations of the insolvent insurer;
 - (3) provide money, pledges, notes, guarantees or other means necessary to

discharge the insurer's duties under this subsection; or

(4) with respect only to life and health insurance policies, provide benefits and coverages required under AS 21.179.060(e).

6. ALHIGA plans to meet its statutory obligation to assure payment of covered claims of Alaska residents who are CLIC policyholders by paying claims directly or through a third party administrator or by participating in the service agreement referenced in paragraph 4.

THE DIRECTOR HEREBY ORDERS:

ALHIGA'S request to assure payment of covered claims of Alaska residents who are CLIC policyholders is approved.

This order is effective June 17, 1998.

Marianne K. Burke
Director of Insurance