



**Department of Community
and Economic Development**

Division of Insurance

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ORDER NUMBER R 01-10

November 9, 2001

**DIRECTOR'S APPROVAL OF ALHIGA'S RESPONSE TO THE
RELIANCE INSURANCE COMPANY INSOLVENCY**

The Alaska Life and Health Insurance Guaranty Association (ALHIGA) has requested the approval of the Director of Insurance to become a Participating Guaranty Association to ensure payment of covered claims, if any, on behalf of Alaska residents arising from the insolvency of Reliance Insurance Company (Reliance). In response to that request, the Director finds as follows:

BACKGROUND

1. Reliance is a member insurer of ALHIGA, as defined in AS 21.79.900(6). Reliance was licensed to sell certain lines of insurance in the State of Alaska, including accident and health policies.
2. On May 29, 2001, an Order of Rehabilitation was entered as to Reliance by the Commonwealth Court of Pennsylvania. By Order of Liquidation dated October 3, 2001, the Commonwealth Court of Pennsylvania ordered the liquidation of Reliance. The order included a finding that Reliance was insolvent. The Order of Liquidation terminated all of Reliance's policies and contracts of insurance effective November 2, 2001.
3. Under AS 21.79.060(d), ALHIGA is required, with approval of the Director, to take one of the following actions if a member insurer becomes insolvent:
 - (1) guarantee, assume, reinsure or provide the guarantee, assumption, or reinsurance of the covered policies of 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 coverage as required under AS 21.79.060(e).

4. ALHIGA is a member of the National Organization of Life and Health Insurance Guaranty Association (NOLHGA). The NOLHGA task force dealing with the Reliance insolvency has negotiated with the Reliance liquidator and other third-parties to arrange for the handling and payment of covered obligations of affected guaranty associations so that the payment of accident/health claims arising from Reliance policies will not be significantly interrupted. This has been accomplished through three agreements; namely, a settlement agreement, an early access agreement and a service agreement, copies of which are incorporated herein by reference. By becoming a Participating Guaranty Association in these agreements, ALHIGA will be enabled to provide for the guaranty assumption or reinsurance of the covered policies held by Alaska residents, or alternatively will be able to assure payment to Alaska residents of the contractual obligations of Reliance.
5. ALHIGA plans to meet its statutory obligation under AS 21 .79.060 by becoming a Participating Guaranty Association under the above-referenced settlement agreement, early access agreement and service agreement. ALHIGA also plans to file a timely proof of claim in the Reliance liquidation proceeding.

THE DIRECTOR HEREBY ORDERS:

ALHIGA's request to meet its statutory obligations to Alaska residents who are Reliance accident and health insurance policy holders by becoming a Participating Guaranty Association in the above-referenced settlement agreement, early access agreement and service agreement is **APPROVED**.

This order is effective November 9, 2001.



Robert A. Lohr
Director of Insurance