NOLHGA Journal

A Publication of the National Organization of Life and Health Insurance Guaranty Associations

Fall 2001

Volume VII, Number 4

In this Edition

National Organization of Life and Health Insurance Guaranty Associations

NOLHGA
www.nolhga.com

Proposals for an Optional Federal Charter: How Do They Provide Guaranty Protection?

By William P. O'Sullivan

For the past 150 years, insurers in the United States have been regulated at the state level while other key financial services firms have been regulated by the federal government. Historically, most members of the insurance industry have viewed this as an acceptable, if not favorable, arrangement. But with the recent emergence of global competition, financial services convergence and other powerful market forces, insurers have faced increased pressure to speed up the development of new products, enter and exit markets more quickly and reduce their costs relative to banks and other competitors. As a consequence, certain members of the insurance industry are now calling for an alternative, more-uniform system of regulation.

In response to these developments, three trade associations—the American Council of Life Insurers (ACLI), the American Insurance Association (AIA) and the American Bankers Insurance Association (ABIA)—recently released proposals to provide insurers with the option of being federally regulated. The particulars of the proposals vary, but each is designed to make insurance regulation more efficient and less costly by providing insurers with the option of responding to a single regulatory authority. Although not directly related to that core objective, the proposals all recognize that providing guaranty protection to consumers of insolvent insurers is an essential element of regulation.

The proposals take different approaches to providing that protection. However, the ACLI and AIA proposals are very similar in that they rely on the existing state guaranty system. In contrast, the ABIA proposal opts for an entirely new safety net in the form of an FDIC-type mechanism.

Assuming that Congress is receptive to the concept of federal regulation for insurers, the various proposals for protecting policyholders against insolvency loss will be heavily debated. In anticipation of that debate, this article provides an overview of the three outstanding proposals now in circulation.

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ACLI Proposal

The ACLI proposal[1] provides for the current state guaranty system to be used as the guaranty mechanism for both federal- and state-chartered insurers. Under the plan, states would have to meet certain minimum standards in providing guaranty protection. These standards closely track provisions in the current NAIC Life and Health Insurance Guaranty Association Model Act (NAIC Model Act) relating to coverage, powers and duties, assessments and board of directors.

Any state not meeting the minimum standards within a specified transition period (a "non-qualified state") would have its guaranty association replaced by a standby guaranty mechanism. The standby mechanism would be a nonprofit corporation—neither a federal government agency nor financially dependent on

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PRESIDENT'S COLUMN

NCIGF, NOLHGA Share Common Challenges

By Peter G. Gallanis

In August, I was fortunate to participate in the 2001 Legal Seminar of NOLHGA's property and casualty analog, the National Conference of Insurance Guaranty Funds (NCIGF). In addition to providing an opportunity to visit with some old friends who work primarily on the P&C side of the insolvency "street," the NCIGF Seminar was rewarding for three principal reasons.

First, the program was exceedingly well-planned and presented, and it was an excellent counterpoint to the 10th annual NOLHGA Legal Seminar (see p. 3). I noted more than a few individuals from several disciplines who attended both the NCIGF and NOLHGA Legal Seminars, and I can think of no better way to stay current on developments in U.S. insolvency practice.

Second, the NCIGF program (like the last two NOLHGA seminars) presented some interesting and original perspectives on vectors within the financial services regulation reform movement that are likely to affect all American insolvency practitioners. In particular, a presentation by Arthur Murton of the FDIC provided some valuable and quite objective insights into how the federal banking safety net mechanism works, further permitting seminar participants to compare the strengths and weaknesses of the FDIC approach with the current state systems for protecting insurance consumers.

Third, and perhaps most valuably, the seminar served as a reminder of the increasing extent to which the P&C and L&H guaranty systems are addressing similar problems.

Some might find the existence of such similarities surprising. While the two insurance guaranty systems have some significant similarities in their statutory charges and their organizational structures, they are often thought of as performing entirely different missions. That conventional view is rooted in the differences between the promises embedded in most P&C policies and those in contracts of life insurance and annuities.

P&C contracts generally provide indemnity (and in some cases legal defense) protection for occurrences that take place while the policy is in force. The periods of coverage are generally short-term (seldom more than a year) and often can be non-renewed by the carrier without difficulty.

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For that reason, standard insolvency practice is for such contracts to be cancelled upon liquidation of the carrier, and for the P&C funds to perform as a claims adjustment and payment facility for claims that are based on pre-liquidation occurrences. With some state law variances, policyholders have policy-level claims for premiums paid for the balance of the policy period and are on their own in obtaining replacement coverage.

Traditional life insurance policies, annuities and non-cancelable health coverages are intrinsically different from most P&C contracts, in that they reflect commitments by the insurer to extend and maintain coverage under premium structures established at the time the contract was issued. That is, they promise continued protection for *future* occurrences, and the policyholder pays for this protection in the years prior to an insolvency.

Accordingly, for the L&H guaranty system to deliver on the promise of the insolvent carrier, it is necessary not only for the system to provide for payment of unpaid pre-

NOLHGA Journal

Vol. VII, No. 4
Fall 2001

The *NOLHGA Journal* is a publication of the National Organization of Life and Health Insurance Guaranty Associations dedicated to examining issues affecting the life and health insurance guaranty system.

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insolvency losses (as the P&C system does), but also to provide for continuation of insurance protection (as the P&C system is generally thought not to do). The typical approach in life insolvencies since the early 1990s has been to craft a corporate finance solution to the problem, by providing capital relating to covered insurance liabilities that will allow the promises contained in the carrier's contracts to be performed, usually by a successor carrier.

Thus, some have viewed the P&C system as essentially a funded TPA operation that provides a "microeconomic" response to insolvencies on a "retail," claim-by-claim basis. The L&H system, on the other hand, has been viewed as providing more of a "macroeconomic" or "wholesale" response, arranging for and (to the extent required under the guaranty association and receivership laws) financing the transfers of whole books of a failed carrier's business.

Recent challenges to both systems, however, have at least some practitioners rethinking these traditional paradigms. For L&H guaranty associations, much of the work presented in the last several years has come from failed health carriers, and the challenges presented to the guaranty associations in those instances are strikingly similar to those faced by P&C funds when, for instance, a nonstandard auto carrier fails.

The insurance books of such companies typically involve predominantly short-tailed liabilities, and their investment portfolios are in short-term instruments. Consequently, it is common for the receiver and the guaranty system to be presented upon liquidation with a burgeoning mass of ripe claims and a substantial backlog, with few or no company assets with which to pay the claims.

To respond, L&H guaranty associations have acted in the way that the P&C funds have done over the years when so challenged, making their absolute priorities the immediate adjustment and payment of claims, on a "retail" basis, and responding to individual consumers' needs and concerns as they arise.

P&C guaranty funds have also had occasion to rethink traditional paradigms. One example comes from the increase in recent failures by workers compensation carriers. Payment obligations of such a failed carrier have many attributes of annuities in payment status, and some guaranty fund managers have been looking to L&H precedents when dealing with such obligations.

Moreover, long-tailed liabilities of some failed P&C companies require some sort of "macroeconomic" resolution approach if the estate is not to be run off over generations (or policyholder claims arbitrarily cut off). P&C funds have been working with receivers to craft new types of corporate finance solutions to such challenges—solutions that bear some similarity to the approach NOLHGA members have long used to resolve the coverage needs of life and annuity contract holders.

The recent intellectual "cross-pollination" across the two systems owes much to the several administrators/fund managers who have been chief executives of both the L&H guaranty associations and the P&C funds in their states, including Mike Marchman, Mark Femal, Frank Gartland, Phil Hammond, Jack King and Chuck Renn. Continued efforts by the members of both NCIGF and NOLHGA to learn from each other can only be productive for both systems.

■ ■ ■

Just after I finished these comments, the news broke about the horrible tragedies of Sept. 11 involving the World Trade Center, the Pentagon and four hijacked commercial airliners. While the ramifications of these events will likely affect all of us in our professional roles in the months to come, it is too soon now to react to anything other than the profound human tragedies we have all witnessed in various ways. NOLHGA and its members and staff unanimously extend their deepest sympathies to all who have been touched by the crisis.

NOLHGA Legal Seminar a Hit on Broadway

Financial modernization and optional federal chartering took center stage at NOLHGA's 10th Annual Legal Seminar, which was held at New York City's Marriott Marquis on July 12–13. The seminar attracted almost 150 attendees (including seven NOLHGA Board members, three insurance commissioners and 31 other speakers), who gathered in New York to hear the latest developments impacting the guaranty association system. Two discussion panels really got into the Broadway spirit, staging role-playing debates to explore their topics.

New York Superintendent of Insurance Gregory V. Serio kicked off the seminar by graciously welcoming NOLHGA to New York and summarizing his department's efforts to respond to financial services modernization issues. According to Superintendent Serio, the New York Department is seeking to streamline the regulatory process, particularly in the areas of financial examination and analysis and product approval.

Gary W. Parr, who heads up Morgan Stanley Dean Witter's Global Financial Institutions Group, provided attendees with an overview of the current state of the industry. Parr pointed out how fragmented the insurance business is by noting that the largest life insurer holds a market share of only 7 to 8 percent. He predicted that the industry was ripe for consolidation, including cross-border and hostile takeovers.

Parr also stated his belief that state regulators would be unlikely to derail mergers for fear of appearing obstructive in light of financial services modernization. However, he noted that the Gramm-Leach-Bliley Act had spawned little if any merger activity

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Designing a Federal Guaranty: A Glance Back at the Original Design of the State Guaranty Laws

By Wm. Carlisle Herbert

As work goes forward on a possible federal statute to address insolvency risks associated with federally chartered insurance companies, it may be useful to look back at certain of the concepts that were deemed important in the original design of the existing state guaranty association laws. Some have suggested that insurance companies chartered under federal law might be treated as insureds, with the companies acquiring some protection against insolvency in return for premiums based on the insolvency risks that they pose.

The drafters of model state guaranty association legislation specifically rejected such company-based protection and instead focused on the protection of policyholders. At a December 1970 meeting of the NAIC, some life insurance industry representatives expressed opposition to the adoption of any model guaranty association legislation on the ground, among others, that it would "subsidize inefficiency, ineptness and carelessness, and perhaps even unscrupulous and uninhibited practices." 1971-1 NAIC Proc. 157, 176.

In response to this criticism, the NAIC Subcommittee reviewing the proposed model stated:

> The enactment of insolvency fund legislation, funded by assessments on insurers doing business in the state, should not be viewed in the context of good companies subsidizing the bad. But rather it provides a mechanism by which each policyholder, through a slightly increased cost, purchases protection for himself against the insolvency of his insurer. This is another form of risk spreading.

Id. at 158.[1]

Bruce W. Clements, the principal draftsman of the Model Life and Health Insurance Guaranty Association Act (the "Life & Health Model") and the NAIC State Post-Assessment Insurance Guaranty Association Model Act (the "Property & Casualty Model"), has stated:[2]

> The Property & Casualty Model and the Life & Health Model were designed solely to protect the covered policyholders and insureds of insolvent insurance companies, not to benefit the insolvent insurer itself or its other creditors. ...
>
> In fact, in drafting the Property & Casualty Model, the NAIC rejected...the "bail-out" approach [which] would have entailed having the prospective Property & Liability Insurance Guaranty Associations rescue insolvent insurers from insolvency – as opposed to simply administering and paying the claims of covered policy claimants.

Similarly, Jack Blaine, who represented several life insurance trade associations at the 1970 NAIC hearings, has stated:[3]

> The guaranty association under the Model Act was designed solely to benefit covered policyholders and beneficiaries of an insolvent insurer. The guaranty association was designed to be an insurance mechanism whereby potential losses of policyholders of an insolvent insurer would be spread through the guaranty association to solvent insurers and to the policyholders of the solvent insurers. The life and health insurance industry was firmly opposed to any system that would serve to benefit the insolvent insurer, its owners, or any creditors of the insolvent insurer other than covered policyholders, and the NAIC never proposed any such system.

Evidence of the focus on insuring the policyholder, rather than the company, can be found in several provisions of the Life & Health Model. These include (1) the statutory creditor rights accorded the Guaranty Association, which ensure that a proportionate share of the insolvent insurer's assets are available to help the Guaranty Association fulfill its obligations, and (2) the Guaranty Association's subrogation rights, which ensure that, if the receiver holds back any assets for future liquidation and distribution, the Guaranty Association receives its proportionate share of such assets. Life & Health Model Sections 8(9) & 14(3), 1971-1 NAIC Proc. 157, 164, 171-72.

These provisions together ensure that the Guaranty Association absorbs only the loss that its covered policyholders would otherwise have suffered, and they prevent other persons, such as general creditors or stockholders, from obtaining additional estate assets because of the Guaranty Association's performance of its obligations.[4]

Further evidence can be found in the manner in which costs of Guaranty Association benefits are spread to policyholders of solvent life insurance companies. Solvent life insurance companies are permitted to increase their premiums in amounts reasonably necessary to meet their anticipated costs of paying Guaranty Association assessments. Life & Health Model Section 9(7), id. at 168.

Assessments are paid in proportion to the amount of premium received in recent years, a crude but practical method of spreading costs on a roughly pro rata basis. Life & Health Model Section 9(3), id. at 167. Moreover, assessments are divided among specifically designated accounts so that costs of protecting health insurance policyholders, for example, are passed on to health insurance policyholders of solvent companies. Life & Health Model Sections 6(1) & 9(1), id. at 162, 167.

While the existing Guaranty Association laws by no means perfectly establish risk pools among policyholders, keeping the focus of insolvency insurance on the policyholder instead of the insurer serves salutary purposes. As Alan Greenspan has noted, an important contributor to the failure of insured financial institutions in the past has been "moral hazard, that is, a distortion of incentives that occurs when the party that determines the level of risk receives the gains from, but does not bear the full costs of, the risks taken."[5]

> *...creating a system that allows the management to avoid the full costs of actions that would otherwise render the company insolvent tends to foster "moral risk" and thus introduces a source of instability.*

Protecting policyholders against the possible insolvency of their companies shields them from events that are largely outside their control and thus has only a limited tendency to foster undesirable conduct. On the other hand, creating a system that allows the management to avoid the full costs of actions that would otherwise render the company insolvent tends to foster "moral risk" and thus introduces a source of instability.

For example, pooling of insolvency risks among life insurers would appear to require well-run life insurers to subsidize inappropriate conduct by the management of competing life insurers. Additionally, pooling risks among life insurers could distort the competitive environment in the life insurance market. Companies that would otherwise fail might be maintained by the system. Companies in difficulty might be required to shoulder greater costs in paying risk-based assessments and thus be pushed toward greater financial difficulty. Insolvency protection that focuses on the protection of policyholders, on the other hand, avoids such distortions in the competitive environment for life insurers.

As reflected in the existing Guaranty Association laws, considerations that bear on how the costs of protection should be spread are complex. It may be that the optimal federal statute would sever entirely the subject of who is protected from the subject of cost-spreading. Some believe, for example, that an insurer risk-based assessment system would encourage managers of insurers admitted to the federal system to pursue good practices. In this view, managers would seek to avoid the additional costs and embarrassment of higher assessments resulting from unfavorable reviews of their performance.

Nevertheless, the existing Guaranty Association laws can be praised for treating the policyholder as the exclusive insolvency-insured and for a cost-spreading system that is designed in part to pool insolvency risks among policyholders. The benefits of these features should not be overlooked in efforts to craft insurance insolvency protection under federal law.

Wm. Carlisle Herbert is a litigation partner with Foley & Lardner in Chicago and has appeared for Guaranty Associations in cases arising out of insolvency proceedings for Iowa Travelers, Georgetown Life, Executive Life and others.

Endnotes

1. With its report, the Subcommittee presented the original version of the Life & Health Model to the NAIC's Laws, Legislation & Regulation Committee, and the NAIC adopted the Life & Health Model at the same meeting.

2. Mr. Clements made these statements in a Declaration submitted in a case entitled Boozell v. United States, No. 96 C 6270, U.S. District Court (N.D. Ill.) (the "Boozell case").

3. Mr. Blaine made these statements in a Declaration also submitted in the Boozell case.

4. Similar evidence can be found in a provision of the original Life & Health Model that prohibited any distribution to stockholders of an impaired insurer unless and until any payments by a Guaranty Association from assessments levied in connection with the impairment have been fully recovered by the Guaranty Association. Life & Health Model Section 14(4), 1971 NAIC Proc. 157, 172.

5. Remarks by Chairman Alan Greenspan, Before the 34th Annual Conference on Bank Structure and Competition of the Federal Reserve Bank of Chicago, May 7, 1998.

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between insurers and banks due to insurers' unattractive returns on equity relative to those of banks.

NOLHGA President Peter G. Gallanis led the next panel through an informative and entertaining role-playing debate. Panel members John C. Colpean, executive director of the Michigan Life and Health Insurance Guaranty Association; Scott M. Kosnoff of Baker & Daniels; William P. O'Sullivan, NOLHGA senior vice president and general counsel; and Noreen J. Parrett of LaFollette Godfrey & Kahn assumed the identities of members of a Congressional Conference Committee appointed to resolve differences between two competing legislative proposals for a federal guaranty mechanism.

The competing proposals—those of the American Council of Life Insurers (ACLI) and the American Bankers Insurance Association (ABIA)—provide for very different guaranty mechanisms, with the ACLI proposal advocating a guaranty mechanism based on the current state system and the ABIA proposal calling for a new FDIC-type mechanism. While the panelists (much like real Congressional Conferees) were unable to reach a consensus on the alternatives, their discussion provided the audience with valuable insight into the significant differences and policy implications of the two proposals.

A panel comprising Charles D. Gullickson (South Dakota Life and Health Insurance Guaranty Association), Kevin P. Griffith (Baker & Daniels), Franklin D. O'Loughlin (Rothgerber, Johnson & Lyons) and James W. Schacht (PricewaterhouseCoopers) used a hypothetical case study to examine the thorny legal issues in health insolvencies. One critical issue identified in their discussion was whether policy blocks should be canceled.

According to the panel, there are various considerations in resolving this issue, including who will effect the cancellation, the applicability of the Health Insurance Portability and Accountability Act, the

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the government. It would provide guaranty protection with respect to both federal- and state-chartered insurers in non-qualified states only and would operate and provide coverage consistent with the terms of the current NAIC Model Act.

In summary, the ACLI proposal primarily relies on the current state guaranty system. However, it also encourages states to meet certain minimum guaranty standards by providing for a standby, replacement mechanism. The guaranty protection provided under the ACLI proposal—whether through the existing state system or the standby mechanism—would be substantially the same as that provided for under the current NAIC Model Act.

AIA Proposal

Like the ACLI proposal, the AIA proposal[2] provides for the existing state system to be the guaranty mechanism for both federal- and state-chartered insurers. However, the AIA proposal does not condition the use of the state system on any minimum standards. It merely requires that each federally chartered insurer become a member of the guaranty associations for the states and lines applicable to its business.

ABIA Proposal

The ABIA proposal[3] provides for the creation of a new federal agency—the National Insurance Guaranty Corporation (NIGC)—to provide guaranty protection for all insurers that become “shareholders” of the organization. All federally chartered insurers would be required to become shareholders of the NIGC.

Conversely, state-chartered insurers could become shareholders of the NIGC only upon the approval of the NIGC’s board of directors. The factors used by the NIGC’s board in deciding whether to approve a state insurer would include the adequacy of the insurer’s capital and the risk that it would cause a loss to the NIGC. State-charted insurers that do not become shareholders of the NIGC would presumably remain members of the existing state system.

Management of the NIGC would be vested in a board of directors consisting of the National Insurance Commissioner and two presidential appointees.[4] Board members could not hold office or be employed by a federally chartered insurer during their term on the board and for a period of two years following such service. The proposal contains no express requirement for board members to have insurance experience.

> *The NIGC would employ a pre-funded, risk-based assessment system for funding its coverage obligations.*

The NIGC, which is patterned after the FDIC, would serve as both guaranty fund and receiver for its shareholder insurers. In its role as guaranty fund, the NIGC would have the general power to provide coverage to policyholders by paying claims and continuing coverage. In addition, it would have extensive powers to provide financial assistance to troubled insurers and to take certain corrective actions against insurers that are under-capitalized or under-reserved. The NIGC’s power to provide financial assistance could be exercised pre- or post-receivership and could include various actions to facilitate the merger, consolidation, sale of assets, assumption of liabilities or sale of stock of a troubled shareholder.

The NIGC would employ a pre-funded, risk-based assessment system for funding its coverage obligations. Assessments would be based on the probability that the NIGC would incur a loss with respect to an assessed shareholder, the amount of that loss and the NIGC’s revenue needs.

The assessments would be imposed semi-annually, as necessary, to replenish or maintain the NIGC’s “designated reserve ratio.” Under the ABIA proposal, this ratio would be set annually at between 0.5 and 1.5 percent of “insured liabilities” (the ABIA proposal does not define this term) or at an amount the NIGC’s board establishes for a given year. In addition, the NIGC would have the power to separately assess shareholders on a pro rata basis to cover the NIGC’s operating expenses.

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Plans at a Glance

ACLI

- *Current state guaranty system would serve as the guaranty mechanism for both federal- and state-chartered insurers.*
- *States would have to meet minimum standards in providing guaranty protection.*
- *If a state fails to meet standards, its guaranty association would be replaced by a standby guaranty mechanism.*

AIA

- *State system would provide guaranty protection for both federal- and state-chartered insurers.*
- *Federally chartered insurers would have to become members of the guaranty associations for the states and lines applicable to their business.*
- *States would face no requirement for minimum standards.*

ABIA

- *The National Insurance Guaranty Corporation (NIGC)—a new, FDIC-type federal agency—would provide guaranty protection.*
- *All federally chartered insurers would be required to become NIGC shareholders.*
- *State-chartered insurers could become shareholders only upon approval of the NIGC’s board of directors.*
- *The NIGC would serve as both guaranty fund and receiver and would have extensive powers to provide financial assistance to troubled insurers.*

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underlying policy provisions and the statutory rights of the guaranty associations. The panel also delved into the issues of adjusting premiums and using substitute policy forms to facilitate the administration and/or possible sale of health blocks where there are divergent policy forms.

A panel of experts consisting of Nathaniel S. Shapo, Illinois Director of Insurance; Gary E. Hughes of the ACLI; and Thomas E. Workman of the Life Insurance Council of New York provided their unique perspectives on financial services modernization issues. Workman stated that the central priority for insurance regulators should be speed to market, and that "regulatory friction" is the driving force behind recent calls for a federal alternative to state regulation.

Hughes provided an overview of the ACLI's proposal for an optional federal charter but also stressed that the ACLI is still supportive of state regulation and efforts to improve that system. However, he noted that marginal, incremental improvements are no longer enough given the pressure for optional federal chartering. Director Shapo, while acknowledging that state regulation needed to be improved, voiced his opposition to optional federal chartering. Among other matters, he noted that the states are in the best position to effectively regulate insurance given its fundamentally local nature.

Other highlights included:
- Charles D. Lake, II (AFLAC/Japan) and Laird Zacheis (Milliman USA) discussed the troubled state of Japan's insurance industry and the policyholder protection system in that country.
- Scott Charney (Pricewaterhouse-Coopers), Joni L. Forsythe (NOLHGA) and Mary M. Melusen (NOLHGA) covered a wide range of legal issues arising from the use of the Internet and other forms of electronic media.
- Joel A. Glover (Rothgerber, Johnson & Lyons), Robert Greer (Greer Law Offices) and Len Stillman (Stillman Consulting Services) shared their experiences with resolving issues to close insolvency estates.
- James W. Rhodes (Oklahoma Life & Health Insurance Guaranty Association) summarized key insolvency case law developments occurring this past year.
- Kimberly M. Guadagno (former Assistant U.S. Attorney), Fredric Marro (NHL Deputy Receiver), Ellen G. Robinson (Robinson, Curley & Clayton) and Thomas W. Turner (Assistant U.S. Attorney) discussed the challenges of recovering assets when federal authorities initiate criminal proceedings against former management and others involved with an insolvent insurer.

The entire program was very well received by attendees. Charles T. Richardson (Baker & Daniels) and the members of his Seminar Planning Committee are to be congratulated for their fine efforts in organizing the event.

Judge Merhige Livens Up Lunch

The luncheon speaker for NOLHGA's 10th Annual Legal Seminar was the Honorable Robert R. Merhige, Jr., who regaled the audience with his wit, wisdom and humor gained from 31 years as a federal judge in the U.S. District Court for the Eastern District of Virginia. The focal point of Judge Merhige's talk was his experience with the AH Robins bankruptcy proceeding and the attendant mass tort litigation.

Similar to the challenges faced by guaranty associations in health insolvencies, Judge Merhige had to deal with the practical problems of processing a crushing number of claims against the estate—approximately 400,000 product liability claims associated with the infamous "Dalkon Shield" device—while also responding to the human dimensions of an insolvency case. Judge Merhige's experience in the Robins case confirms the value of using creativity and common sense in resolving real-world insolvency problems.

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Conclusion

While the three proposals for an optional federal charter are technically different with respect to guaranty protection, in reality they represent two basic approaches. The ACLI and AIA proposals essentially rely on the existing state system to protect policyholders of insolvent insurers. In contrast, the ABIA proposal opts for an entirely new system in the form of an FDIC-type mechanism.

If Congress decides to adopt an optional federal charter for insurers, it will need to carefully consider how these approaches differ and the potential implications of those differences. These differences and implications will be the subject of a follow-up article in the next *NOLHGA Journal*.

William P. O'Sullivan is the senior vice president and general counsel for NOLHGA.

Endnotes

1. This discussion is based on the ACLI's 4/2/01 working draft of its Optional Federal Charter Proposal. The ACLI's proposal is limited to companies writing life, annuity, disability and long-term care products.

2. This discussion is based on the AIA's 6/14/01 draft of optional federal charter legislation. The AIA proposal is limited to property and casualty companies.

3. This discussion is based on the ABIA's draft proposal posted on its Web site on 5/9/01. The ABIA proposal applies to both life/health/annuity and property/casualty insurers.

4. The National Insurance Commissioner is the federal insurance regulator under the ABIA's proposal.

Calendar

2001		
November 11–13	ACLI Business Solutions 2001 (Annual Conference)	Boston, Mass.
November 14–16	NCIGF Managers' Meeting	Nashville, Tenn.
December 8–11	NAIC 2001 Winter National Meeting	Chicago, Ill.
2002		
January 29–31	**NOLHGA MPC Meeting**	**Savannah, Ga.**
February 5–6	**NOLHGA Board of Directors Meeting**	**TBA**
March 16–20	NAIC 2002 Spring National Meeting	Reno, Nev.
April 17–19	NCIGF Annual Meeting	New York, N.Y.
May 8–9	**NOLHGA Board of Directors Meeting**	**TBA**
May 20–22	**NOLHGA MPC Meeting**	**Columbus, Ohio**
June 20–21	Southeastern Regional Guaranty Assn.	Little Rock, Ark.
August 6–7	**NOLHGA Board of Directors Meeting**	**TBA**
August 14–16	**NOLHGA MPC Meeting**	**Salt Lake City, Utah**

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