OLD FAITHFUL ESTATE TO CLOSE IN RECORD TIME - SEE PAGE 4

Model Act Amendments Would Significantly Improve Policyholder Protection

By Anthony R. Buonaguro
Executive Vice President and General Counsel
NOLHGA

Amendments to the NAIC's Model Life and Health Insurance Guaranty Association Act, jointly proposed by NOLHGA and the American Council of Life Insurance, would be the first comprehensive update of the act since 1987 if the amendments are adopted by the NAIC.

The Guaranty Fund Issues Working Group, chaired by Len Stillman of Utah, is expected to complete its review of the proposed amendments at the December 15-18 meeting in Atlanta.

Work on the proposal unofficially began in July, 1994 at the NOLHGA Legal Seminar, when John Gavin, counsel to the Illinois guaranty association and member of the NOLHGA Legal Committee, led attendees in a spirited discussion about how

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Winter 1996 | Vol. III No. 1

NOLHGA ® JOURNAL

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

History of the Life and Health Insurance Model Act, Part II

By Dana L. Carroll
Manager, Insurance Services
NOLHGA

Part I, which appeared in the Fall, 1996 edition of the NOLHGA Journal, explained how model insolvency legislation was created. Part II covers the significant revisions and amendments made to the Model Life and Health Insurance Guaranty Act over the past 20 years.

The NAIC, the life insurers and their national associations continued to work on the model act to improve and strengthen the guaranty association system. In 1975, the NAIC made several technical amendments and adopted a new, optional Section 13, which provides an offset (20 percent for each of the five years following the year the assessment was paid) against the state tax liability for assessments. Member insurers were given the option to select the applicable tax (premium, franchise or income) against which the credit could be applied. The comments to the 1975 version of the model act state that the tax offset is considered an equitable method for the member insurers to recoup assessments because, in some cases, the member insurers cannot change the premiums on existing policies and building the cost of assessments into rates for future policyholders would not spread the cost across all protected policyholders. The comments suggested that the offset would offer the state legislature an incentive to provide adequate funding for the insurance department. The economic loss, therefore, would be shared by the general public rather than solely by the insureds.

Following the adoption of the model act in 1970, and its revision in 1975, new products were being developed and there was increasing experience in life insolvencies. The impairment of the Baldwin-United companies acted as a catalyst for the regulators, the American Council of Life Insurance and the Health Insurance Association of America to work together on a substantial revision of the model act.

The 1985 and 1987 versions of the model act were the product of several years of intensive study by the NAIC, the life and health insurance guaranty associations and the insurance industry to build on accumulated experience in improving and strengthening the guaranty system. Some of the important changes included:

- A particular association's coverage is limited to residents of the state, with a few exceptions (§3(a)). This change (i) increases the aggregate assessment capacity of the entire system while at the same time distributing the assessment burden among insurers more fairly; (ii) reduce the impact on premium taxes that may occur in any one state due to the insolvency of a domestic insurer and tax offsets in that state for the entire guaranty association cost; and (iii) encourage adoption of the revised model in states that either have no guaranty laws or have an older version of the model act.

- The association's liability for interest on policy values for interest-sensitive products is limited by a market value index (§3(b)2(C)).

See Model Act, *Page 6*

Inside

President's Column

The Year in Review: Much To Be Proud of in 1996

By Jack H. Blaine
President
NOLHGA

It's the time of year when all organizations, including NOLHGA, reflect on their accomplishments over the year just ending. NOLHGA publishes in January a year-end report to its members that serves both as a reminder to them - and to others - of what they have accomplished during the year and a reference point for the future.

A GOOD FINANCIAL YEAR What I think we will find as that report is written is that many goals were achieved and much was resolved by NOLHGA and its member life and health insurance guaranty associations. It should also prove to have been a good financial year for the life insurance industry. Indications are that the capital strength of life insurers continued its prior year growth trend. The American Council of Life Insurance's 1996 Fact Book just arrived and, as usual, contains a wealth of valuable information. For instance, 1995 life company assets increased by $201 billion over 1994, a 10.4 percent increase. Capital ratios (including asset valuation reserve) reached 10.7 percent, up from 10.2 percent in 1994 and about 6 percent in 1988. If there is a dark cloud over the results, it is in the relative lack of growth in new life insurance sales: 1995 individual life insurance sales were down .6 percent from 1994, and this year probably is not going to show much improvement. Annuity sales, however, continued to grow - 4 percent from 1994 to 1995, three times the total sales in 1985.

BUSINESS ASSUMED IN 1996 Some observers may say that all this good financial news for the life insurance industry must mean that business conversely has been bad for the guaranty associations. Not so. While new insolvencies have trickled to a very few in the last two years, the member associations and NOLHGA staff have been kept busy with routine business and continuing problems of outstanding estates. Blocks of business in 1996 were sold by assumption reinsurance in four insolvencies. In November, the Georgia receiver and the NOLHGA task force closed on the sale of the business of **Coastal States Life Insurance Company** (taken over in January) to Security First Life Insurance Company. Two blocks of business of **National Heritage Life Insurance Company** (Delaware) went to closing in an assumption agreement this year with about $400 million in guaranty association funding - the largest block (24,400 policies) went to Metropolitan Life Insurance Company and a small block of single-premium life policies was assumed by Madison National Life Insurance Company. In July, the Acacia, with $28 million in guaranty association funding, assumed some 5,000 policies of insolvent **National American Life Insurance Company** (Pennsylvania). And in late September, court approval was given to an agreement between the receiver in **George Washington Life Insurance Company**, NOLHGA and United Teacher Associates Insurance Company, whereby the latter assumed the remaining health insurance policies of George Washington Life.

CONFEDERATION LIFE The October approval by the Michigan court of the rehabilitation plan for Confederation Life Insurance Company (U.S. branch) -- and the cutting of a settlement which eliminated all appeals -- was another major event this year, representing the culmination of a great deal of negotiation, hard work and creative ingenuity by the receiver and the NOLHGA task force. The court's approval also was an essential step toward the closing of earlier agreements for the sale of the corporate-owned life insurance (COLI) and the bank-owned life insurance (BOLI). Those agreements were joined by the sale early in the year of some $1.62 billion of securities backed by CLIC (U.S.)-held commercial real estate mortgages. And, in February, the Canadian and U.S. receivers announced agreement on a settlement which allows the U.S. branch to be subject to separate court proceedings from the Canadian receivership, with the payment of funds from the Canadian receivership to the U.S. receiver.

IRS ISSUES This was also the year in which NOLHGA task forces and receivers in several estates managed to settle with the Internal Revenue Service over tax issues related to certain life insurance and annuity contracts that were found to have failed statutory tests for deferred tax treatment (Internal Revenue Code Sections 7702 and 72(s)). A relatively new issue that arose over a year ago, these potentially very large tax liabilities posed a serious obstacle to closure on the sale of contracts in affected estates.

See Blaine, *Back Cover*

NOLHGA JOURNAL

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National Organization of
Life and Health Insurance
Guaranty Associations

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Case Study

MONARCH LIFE INSURANCE COMPANY

DOMICILED	Massachusetts
REHABILITATION	June 9, 1994
AFFECTED STATES	51
TASK FORCE CHAIR	Mark Femal
TASK FORCE	Jack Boritas (MD) Bill Fisher (Mass.) Doug Furlong (N.J.) Ernie Long, (Calif.) Dick Stenson (N.Y.)
NOLHGA STAFF	Angela Franklin

Task Force Addresses Unique Issues in Monarch Life

By ANGELA FRANKLIN
Assistant Counsel
NOLHGA

One of the quietest yet most complex cases currently being monitored in the system is that of Monarch Life Insurance Company. The company's liabilities are estimated in excess of $1 billion, of which $425 million is in separate accounts.

The task force, chaired by Mark Femal of Wisconsin, determined that certain limited due diligence and monitoring of the Monarch receivership is warranted, given the potential obligations to the system. To date, actuarial review has constituted the bulk of the monitoring activities.

The task force, the receiver and Monarch management have committed to share information on a monthly and quarterly basis and meet periodically. The task force has also been invited to examine the receiver's action plan and submit input with regard to possible alternatives.

The Parent Trap

Monarch Life's problems emerged in 1991, due largely to the activities of its parent company, Monarch Capital, which was accused of showing preferences in the form of "push-downs." In addition, Monarch Capital borrowed approximately $80 million from 11 domestic and foreign banks (the "Bank Group") to purchase real estate, pledging Monarch Life stock as collateral. Monarch Capital later sold the real estate for about $25 million, leaving the Bank Group very unsatisfied.

These problems led to Massachusetts Commissioner of Insurance Linda Ruthardt's seizure of Monarch Capital and Monarch Life on May 30, 1991. As receiver, the commissioner's goal was to resolve parent-subsidiary raiding, sort out their respective commitments and deal with the Bank Group. Ms. Ruthardt placed Monarch Capital into bankruptcy and reorganized it as Regal Reinsurance, giving her greater control of the situation. Monarch Life was released July 28, 1992, with a new business plan and short-lived freedom from its problems.

As part of its new business plan, Monarch was to down-size significantly. Key steps included:

- The sale of a block of Monarch's variable life business to Merrill Lynch to reduce costs and provide income;
- The sale of two of Monarch's subsidiaries - First Variable Life (domiciled in Arkansas) and Springfield Life (domiciled in Vermont).

See Monarch, *Page 5*

PHOTO GALLERY

NOLHGA's 13th Annual Meeting
Oct. 28-30, 1996
Baltimore

Delos H. Yancey, past chairman of NOLHGA, and Virginia Shehee, director

Alan J. Bowers, president and chief executive office, MBL Life Assurance Corporation

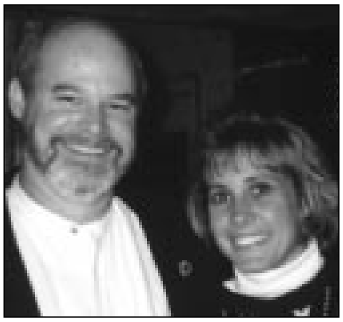
Hon. Dwight K. Bartlett III, Maryland commissioner of insurance

Photo Gallery

NOLHGA's 13th Annual Meeting
Oct. 28-30, 1996
Baltimore

Immediate Past Chair Lawrence F. Harr, left, and Chairman James M. Jackson

NOLHGA Director Nicholas D. Latrenta, left, and Ted Athanassiades, vice chairman, Metropolitan Life Insurance Company



Georgia administrator Mike Marchman and Holly Wilding of NOLHGA

Commissioner To Close Old Faithful In Record Time

Old Faithful Life Insurance Company, domiciled in Wyoming, sold life insurance, annuities, and some accident and health policies. The company was licensed in 10 states: Colorado, Idaho, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Utah, Washington and Wyoming. A number of problems, including alleged fraud and embezzlement, contributed to the company's insolvency in 1992. It was ordered liquidated in November of that year. On March 1, 1993, all of Old Faithful's business was assumed by Hill Country Life Insurance Company. Guaranty associations contributed $3.8 million to fund the assumption agreement.

The *Journal* interviewed Wyoming Insurance Commissioner John McBride following a story in a November edition of the *Weekly Wire* which said, in part, that the estate of Old Faithful Life Insurance Company will be closed this year, except for a few items to be identified in a court order. Of the insolvencies which occurred since 1990, Old Faithful will be the first to be deemed "over."

Q Of the insolvencies which have occurred since 1990, Old Faithful is the only estate which will have closed this quickly - just under five years. How did that come to be?

A Early on we set forth goals to run the insolvency in a cost-efficient manner and to close as soon as possible. Hard work, good luck, and the involvement and cooperation of the Wyoming guaranty association, their board members and NOLHGA helped achieve these goals. I would cite the hiring of a competent deputy receiver (David Wilson) and legal counsel (Bill McKellar) - they were in tune with the goals. I was also heavily involved in monitoring and managing the process.

Q Describe your relationship with NOLHGA in working toward a resolution for this insolvency.

A My relationship with NOLHGA was cooperative from the early stages. We sought their input and that of the Wyoming guaranty association in reaching the service agreement, implementing the bid process and the assumption reinsurance agreement and in the declaration of liquidation.

Q How was this relationship maintained when you and NOLHGA disagreed on certain issues, such as the handful of interest income contracts you believed to be covered by the guaranty associations, but which NOLHGA and the affected associations did not believe were eligible for coverage?

A We basically agreed to disagree. Although we had separate and distinct interests, the liquidator and the guaranty associations maintained a professional relationship.

Q What's going on with respect to the Internal Revenue Service's claim against the estate?

A The estate prevailed in district court. The receiver assigned priority in accordance with *Fabe* -- after Classes 1 and 3 but before all other claims. Regarding the Phase III tax issue, the receiver has said those taxes aren't due because there was no distribution to the shareholders. This decision was appealed to the Wyoming Supreme Court.

Frank O'Loughlin, counsel to the Colorado, Montana and Wyoming guaranty associations, was instrumental in helping the commissioner to resolve the Old Faithful insolvency.

Q What management oversight did you exercise with regard to attorneys and other consultants? Did you experience any difficulty with court approvals of fees? What was the total cost in administrative expenses?

A My goal was a high distribution to creditors. Class 3 claimants (policyholders and guaranty associations) received 90.8 percent. More distributions will be possible if we resolve the IRS claim.

Assets increased during the administration of the receivership by about $300,000.

See Old Faithful, *Page 5*

OLD FAITHFUL, *from Page 4*

Litigation recoveries were in excess of $2 million.

We performed a cost/benefit analysis on the litigation and had regularly scheduled management meetings with the deputy receiver and legal counsel, who itemized costs and expenses. We also set a work schedule with dates for completion. The court approved expenses on a monthly basis and we had no problems.

The total administrative cost was about $880,000, including the deputy receiver and legal counsel fees.

Q Did you encounter any special problems resulting from the fact that the court hadn't previously experienced an insurance insolvency proceeding?

A There were several judge changes during the proceedings. We did our best to educate them through the process by offering quarterly reports and other information. The outcome was a tribute to the judiciary in Wyoming - they did a great job.

Q What advice can you give to NOLHGA and to other insurance commissioners regarding efficient and prompt resolution of insurance insolvencies?

A Receivers must keep an eye on costs - the public demands this and we must be accountable. Goals and timetables for the running of the estate should be established early on. Commissioners should involve and cooperate with NOLHGA and the state guaranty associations from day one and encourage prompt resolution. Personal involvement in the management of the receivership is vital. I would also recommend that commissioners be responsive to criticism. ▼

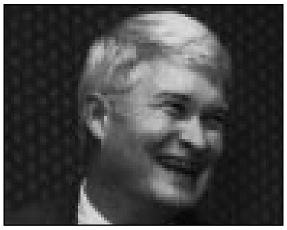
MONARCH, *From Page 3*

As part of the continuing battle over Monarch Capital/Regal Reinsurance assets, the Bank Group objected to the sale of First Variable Life. In addition, the disability income(DI) business declined suddenly, which accelerated Monarch's downward spiral early in 1993. In effort to solve this problem, Monarch unsuccessfully attempted to cede or sell the DI business or sell Monarch Life in its entirety. The company did, however, maintain its reinsurance contract with Lincoln National, which cedes approximately 60 percent of liability on the block to Lincoln. The company ceased writing new DI business in June, 1993, and this block has been in a run-off mode since then. These events led to a second rehabilitation of Monarch Life on June 9, 1994.

To deal with this new set of problems, the receiver increased Monarch's reserves and created a stock trust, pursuant to a deal with the Bank Group: the creditor banks accepted Regal Reinsurance stock in exchange for $1.5 million in cash. [*See graphic at right*]

Monarch Life Business

Monarch's business as of Sept. 30 is divided as follows: 20 percent variable life; 13 percent structured settlement annuities; and the remainder, disability insurance. Merrill Lynch assumed and reinsured 80 percent of the variable life products, Monarch's most profitable line. Monarch retained 20 percent of its variable life, and receives income from Merrill Lynch for administering the assumed business.



Monarch Task Force Chair Mark Femal

Monarch's biggest concern is the DI business written in the late 1980s. The business was written primarily for health care professionals and included lifetime benefits, high monthly benefits, cost-of-living riders and return-of-premium riders. These features were competitive with those of many DI contracts issued at the time. Beginning in the 1990s, however, the health care profession's incomes flattened, uncertainty over health care reform was rampant, and incidences of disability increased dramatically.

Floating Like a Butterfly - *A View of the Future*

As of Sept. 30, Monarch had $13.3 million of capital and surplus. Given the size of the company, Monarch by any measure is very thinly capitalized. The receiver, however, believes that Monarch will be able to meet all of its obligations in the normal course of business.

Further, the receiver believes Monarch can be rehabilitated without guaranty association contributions - a "pure rehabilitation. ▼

A term sheet dated July 19, 1994 among the commissioner and certain Regal Re shareholders and noteholders and holders of Monarch's surplus notes (representing approximately 85 percent of both the total outstanding Regal Re notes and common stock) was approved by the court on Sept. 1, 1994. Pursuant to the term sheet, the holders transferred their notes and stock into voting trusts for which the commissioner is the sole trustee, which effectively vests control of Regal Re and Monarch in the commissioner.

Model Act

MODEL ACT, *From Page 1*

1997 Calendar

MPC Meetings

Feb. 19-21, *Los Angeles*

May 21-23, *Boston*

Aug. 19-21, *Milwaukee*

Nov. 17-19, *Louisville, Ky.*

NOLHGA Board

Feb. 4, *Dallas*

May 7, *Northern Virginia*

July 29, *San Francisco*

Oct. 15, *San Antonio*

14th Annual Meeting

Oct. 15-17, *San Antonio*

NAIC Meetings

March 16-19, *Orlando, Fla.*

June 8-11, *Chicago*

Sept. 21-24, *Washington, D.C.*

Dec. 7-10, *Seattle*

- The dollar limits of the association's liability to any one person are more clearly specified (§3(c)).

- Exclusions from coverage for products not issued by insurance companies, or that are not guaranteed by insurers, are made explicitly (§§3(b)(2) and 5(h)).

- Coverage is limited to resident group certificate holders and individuals, but not to group policyholders (§3(b)).

- The association's liability for group contracts, where alternative coverage can be found, is reduced, while provision is made to assure that individuals who had rights to continue coverage can do so at fair prices (§8(d)).

- Improvements are made in the association's response time in providing benefits for immediate needs (such as death benefits, health benefits and periodic annuity payments) (§8(B)1(B)). At the same time, the association is protected against having to bail out insolvent companies, as opposed to protecting their policyholders (§7(b)(2)). (An impaired insurer will repay fully the association before being released from delinquency proceedings.)

- The board of directors is given more flexibility in determining the best manner in which to fulfill its statutory obligations (§8 generally).

- The immunity provisions for guaranty association business are improved to foster interstate cooperation among associations and to better protect their volunteer board members, staff and insurance department personnel (§17).

- The prohibition against using the existence of the association in the sale of insurance is preserved, while provisions are added for disclosure to policyholders of the limitations of guaranty association coverage.

In 1987, the account structure was changed to provide for two accounts: the life and annuity account, which includes subaccounts for life, annuities and unallocated annuities; and the health insurance account. The change was in response to two considerations: 1). that a separate account for unallocated annuities would not have sufficient capacity in the event of a major insolvency with such coverage; and 2). strong lobbying by a segment of the industry to include unallocated annuities with assessments in the annuity account.

The ACLI developed a catastrophic, sequential proposal, under which assessments would be allocated to the account representing the line of business which gave rise to the insolvency, but if more assessment capacity were needed, then additional assessments could be allocated to the remaining accounts in a specified sequence. The cross-subsidizing would occur only among the annuity, unallocated annuity and life insurance sub-accounts. The health account would remain separate. Cross subsidizing works like this: If a 1 percent assessment in any one year on premiums covered by any subaccount are insufficient, then all of the subaccounts, including the subaccount initially assessed, would be assessed further as necessary. The overall 2 percent cap on assessments in any one year was retained to assure that assessments themselves would not cause insolvencies.

Also adopted were amendments that excluded from coverage an employee benefit plan protected under the federal Pension Benefit Guaranty Corporation and unallocated annuity contracts that were not issued to employee pension or benefit plans of governmental lotteries. In addition, coverage for annuities sold to government retirement plans established under sections 401, 403(b) or 457 of the Internal Revenue Code was increased so that such contracts would be covered up to $100,000 for each participant in the plan to whom the contract was issued. Under older versions of the model act, coverage for such contracts was limited to $5 million per contract*holder*.

The model act again was revised in 1995. The most significant change was an increase in health insurance coverage. Members of the NAIC were concerned that the health benefits limits did not provide adequate coverage to a policyholder with a catastrophic medical expense claim. Coverage limits for health benefits were increased to provide $100,000 for coverage not defined as disability insurance or basic hospital, medical and surgical insurance or major medical insurance; $300,000 for disability insurance; $500,000 for basic hospital, medical and surgical insurance or major medical insurance; and a $500,000 aggregate limit for health benefits per any one individual.

Other changes in 1995 clarified that coverage of government retirement plans would be included in the annuity account for purposes of administration and assessment and clarified what member insurers must disclose to policyholders regarding the guaranty associations and the limited protection they provide. ▼

To learn more about recent amendments to the NAIC Model Life and Health Insurance Guaranty Association Act, please see Tony Buonaguro's article which begins on *Page 1* of this edition. - *Ed.*

AMENDMENTS, *From Page 1*

they believed the model act could be improved.

Early in 1995, the Legal Committee and the ACLI's Subcommittee on Guaranty Associations joined efforts to produce an initial draft of a comprehensive amendments program. Wilson D. Perry, chair of the Legal Committee, and William Fisher, chair of the ACLI subcommittee, formally introduced the program to the NAIC working group at the NAIC's spring meeting in Detroit.

The working group has met five times since the Detroit meeting to debate public policy and other

issues raised by the proposal. The proposal has been modified in several significant ways to accommodate the concerns expressed by various working group members. Some of these concerns relate to issues not touched on in the Detroit proposal but raised since then by the working group. At press time, the working group has completed its deliberations on almost all of the issues. Two open issues expected to be addressed in Atlanta: language to clarify the rights guaranty associations should have with respect to contracts for indemnity reinsurance entered into by the insolvent company; and changes to the official model act comments to reflect statutory changes being made.

The program, as it now stands, will clarify a host of technical points intended to reduce the possibility of costly litigation and enable the smoother, more efficient handling of insolvencies - especially the process by which policyholder coverage is continued with a solvent carrier. In addition - and perhaps more importantly - it makes substantive coverage changes for the benefit of policyholders, which makes the guaranty association "safety net" more rational.

Here are three of the more important changes which fall into the second category:

◆ The association responsible for coverage of structured settlement annuities will be changed to the state where the payee, or injured party, resides. For tax and other reasons, these annuities are held by a corporate owner rather than by the injured party. The change will make coverage "tax neutral" and provide direct linkage between the real party for whom, in all fairness, coverage ought to be provided, and his or her home state association.

◆ The association responsible for coverage of unallocated annuity contracts, including GICs, will be changed to the state of the principal place of business of the sponsor of the plan having the economic interest in the contract. This change was drafted in response to a 1995 request by the NAIC Assessment Data Working Group.

Experience since the 1991 Executive Life Insurance Company insolvency has shown that the current rule, which provides coverage for GICs on the basis of owner residence, does not work well or lead to uniform results, and spawns unproductive and costly litigation. In many instances, GIC owners are corporate trustees - frequently banks - and have only minimal administrative responsibilities to the plans which have the underlying economic interest.

These trustees also tend to be clustered in major "money centers," which therefore places the potential coverage burden on a disproportionately small number of associations. Worse yet, there have been attempts to manipulate coverage *ex post facto* once a company is placed in some type of delinquency proceeding, through changes in trustee ownership to states with the most generous coverage. The change to coverage by sponsor location, as with that for structured settlements, seems to bring coverage closer to the reasonable expectations of those with the underlying economic interest in the covered contract, accords more closely with the notions of fundamental fairness, and reduces the danger that the system can be artificially manipulated. In addition, there will be an explicit, multi-part test for determining the state of principal place of business - a concept undefined in the current model act.

◆ A provision will be added which will specify that U.S. citizen policyholders who are residents of U.S. territories or possessions or in foreign countries will be covered by the association located in the state of domicile of the insolvent insurer. At present, it is unclear whether these policyholders have any coverage at all.

These are just some of the reasons why working group resolution in Atlanta of the program's remaining technical issues, and a swift and subsequent adoption of the program by the other responsible NAIC committees, definitely is in the public interest. ▼

The program makes substantive coverage changes for the benefit of policyholders, which makes the guaranty association "safety net" more rational.

NOLHGA Fact

NOLHGA turned 13 on Dec. 15.
Happy Birthday!

BLAINE, *From Page 2*

ASSET RECOVERY Much time was devoted in 1996 to asset recovery, as NOLHGA task forces that had earlier closed on transfers of insurance liabilities turned their attention to recoveries from estates of assets not needed by the receiver for current expenses.

A new NOLHGA task force on asset recovery was appointed and after development of a standard checklist for gathering asset data on insolvencies, work began on recoveries from various estates. This year, some $32 million was distributed from four estates in which insurance liabilities earlier had been sold.

COVERAGE LITIGATION Litigation over guaranty association coverage continued in 1996, with several court decisions handed down. Decisions favorable to the guaranty associations were reached by courts in Arizona, Indiana, New Mexico Virginia, Washington and Wisconsin, while a decision holding that GICs sold by Executive Life Insurance Company to UNISYS were covered annuities was upheld by the Pennsylvania Supreme Court.

In other litigation news, the New Jersey receiver recently reached settlement with various creditors, in which NOLHGA was a party, to resolve remaining legal issues in the Mutual Benefit Life Insurance Company insolvency.

OTHER MATTERS NOLHGA committees and staff were busy on numerous other matters that resulted in the approval by the NOLHGA Board of Directors of a discovery policy and guidelines for litigation, and the establishment of a litigation database. NOLHGA's Legal Committee and staff also completed the monumental task of publishing an annotated model life and health insurance guaranty association act.

These are but the highlights of a busy and productive year. We at NOLHGA look forward to a challenging and successful 1997 and wish the same to all of you. ▼

NOLHGA

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