



Receivership & Insolvency (E) Task Force

New Jersey Response to Call for Comment from S. Jones and M. Lombardo 6-8-2009

The Receivership & Insolvency (E) Task Force solicits comment from regulators and interested parties in order to complete its new charge approved on March 18, 2009 by the Financial Condition (E) Committee relating to:

Identifying and recommending possible solutions to address timing and collection concerns with reinsurance recoverables held by insurers in receivership.

All comments must be received by the end of the business day **June 10, 2009**, and should be sent electronically to the attention of David Vacca (NAIC Staff) at dvacca@naic.org. The request is as follows:

I. Please provide specific examples of the types of routine issues or delays that can arise in the collection of reinsurance recoverables held by insurers in receivership, as well as whether there are possible related solutions to address timing and collection concerns. Such recommendations could impact both receivers and reinsurers with regard to administrative processes, best practices and/or new statutory requirements.

a. Based on experiences measured from what we have encountered in handling the liquidation of some seven plus insurers, significant Past Due collection issues/delays have pre-existed for some time in a great number of the companies prior to being placed in receivership.

Identifying and then being in a position to advance the records of a receivership to a position of being able to provide an accurate accounting of the reinsurance portfolio, determining balances paid vs sufficient "proof of debt" on open balances is where the majority of receivership time is spent.

With few exceptions, the actual collection side of balances owed to the estates we have liquidated has not experienced unmanageable delays. Again, with most new receivership assignments the initial time (pre-collection") is where our processes have encountered significant timing delays and problems for reasons discussed herein.

b. Example of Issues that emerge and/or delays experienced in the Collection of reinsurance recoverables o/b/o/ entities in Receivership:

-Lack of *credible* claim and reinsurance records of the insurer
-*Non-existent* claim and reinsurance records of the insurer

-Considerable understatement of direct reserves
-No previous reconciliations performed

-Billing processing issues/errors
-Insolvency of the reinsurer

-The existence of a stigma-like veil that attaches itself to receiverships that re-positions ones standing to an "inactive" account status/different client status becomes obvious.

c. Possible Solutions to Address Timing / Collection Concerns:

Since the majority of problems we have experienced are embedded in the insurer's operation (prior to it being declared insolvent), their internal operational processes (or lack thereof) would have to be policed well before any indication of being a troubled company in order to resolve that which we have been experiencing.