



Division of Insurance

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ORDER NUMBER R 03-09

September 29, 2003

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

By letter of September 9, 2003, 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 Villanova Insurance Company (Villanova). In response to that request, the director finds as follows:

BACKGROUND

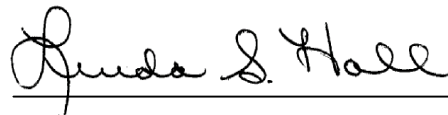
1. Villanova is a "member insurer" of ALHIGA, as defined in AS 21.79.900(10). Villanova was licensed to sell certain lines of insurance in the State of Alaska, including health insurance, under Certificate of Authority #F-575 dated March 8, 1961. This certificate was suspended by order of the director dated May 3, 2002.
2. On April 1, 2002, an Order of Rehabilitation was entered as to Villanova by the Commonwealth Court of Pennsylvania. By Order of Liquidation effective July 28, 2003, the Commonwealth Court of Pennsylvania ordered the liquidation of Villanova. The order included a finding that Villanova was insolvent.
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 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 21.79.060(e).

4. ALHIGA is a member of the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA). The NOLHGA task force dealing with the Villanova insolvency has negotiated with the Villanova liquidator to arrange for the handling and payment of covered obligations of affected guaranty associations so that the payment of accident/health claims arising from Villanova policies will not be significantly interrupted. This has been accomplished through two agreements; namely, a service agreement and an early access agreement, copies of which are incorporated herein by reference. By becoming a Participating Guaranty Association in this agreement, 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 Villanova.
5. ALHIGA plans to meet its statutory obligation under AS 21.79.060 by becoming a Participating Guaranty Association under the above-referenced service agreement and early access agreement. ALHIGA also plans to file a timely proof of claim in the Villanova liquidation proceeding.

THE DIRECTOR HEREBY ORDERS:

ALHIGA'S request to become a Participating Guaranty Association in the above-referenced service agreement and early access agreement is **approved**.

This order is effective September 29, 2003.



Linda S. Hall
Director