INTERNATIONAL ASSOCIATION OF INSURANCE RECEIVERS
PROMOTING PROFESSIONALISM AND ETHICS

Receivership Basics

A guide to key terms and the receivership process

What is a Receivership?

A receivership is a state court proceeding in which an insurance company is placed under the control of a court-appointed receiver. Before and during a receivership, the insurance regulator and receiver evaluate whether issues - usually financial - that led to regulatory intervention can be addressed and whether the insurer can continue operations. Depending on the insurer's circumstances, a receivership may involve rehabilitation or liquidation.

Receivership Court

The receivership court oversees the receivership process and approves major decisions. It is generally located in the state where the insurance company is domiciled (legally formed and primarily regulated).

Receiver

The receiver is a court-appointed person or organization responsible for managing an insurer during receivership. Often, this is the insurance commissioner of the domiciliary state, who may work with a Special Deputy Receiver (SDR), such as a law firm or outside organization.

• **Rehabilitator** - During rehabilitation, the individual or organization appointed to attempt restoring the insurer to financial health or addressing the conditions that led to receivership.

• **Liquidator** - During liquidation, the individual or organization appointed to wind down and close the insurance company and liquidate its assets for distribution to policyholders and other creditors.

Rehabilitation

A receivership proceeding where the insurer continues operations while the rehabilitator attempts to resolve financial or operational problems. The goal is to address the conditions that led to receivership, prioritizing policyholders and maintaining the insurer's ability to pay benefits under its policies or contracts.

When an insurance company enters rehabilitation, the receiver evaluates the company's financial, administrative, and claims operations to determine whether it can be restored to a stable condition. During rehabilitation, and depending on applicable law and the circumstances, the receiver may:

• Take necessary actions to secure and preserve company assets.

• Notify financial institutions and adjust internal controls for expenditures and claims payments.

• Implement a temporary pause on litigation or collection activity, typically through a court-ordered stay, to ensure orderly administration.

Rehabilitation concludes when either:

• The conditions requiring rehabilitation have been sufficiently addressed, and the receivership court approves an appropriate resolution; or

• Rehabilitation is unsuccessful and the receivership court orders liquidation.

Liquidation

A receivership proceeding in which the insurer's business and affairs are wound down and its assets administered for the benefit of policyholders and other creditors in accordance with applicable state law. A liquidation order may also trigger applicable state guaranty associations to provide statutory protections for covered policies and claims.

When an insurer enters liquidation, and depending on applicable law and the circumstances, the receiver may be responsible for:

• Collecting and managing the company's remaining assets.

• Converting assets into cash.

• Administering a formal claims process through standardized claim forms.

• Evaluating, validating, and recommending claim payments to the receivership court.

General Employee Guidance During Receivership

Employees are typically asked to continue reporting to work unless directed otherwise. Job duties may change as operations are evaluated. Employment status cannot be guaranteed until the receiver completes initial assessments.

General Work Rules & Expectations

• Follow instructions from the receiver or appointed staff.

• Do not remove materials unless authorized by the receiver or appointed staff.

• Employment verification is handled through the receiver's designated contacts.

• Scripts or guidance may be provided for customer communications.

• Media inquiries should be directed to the receiver's communications office.

Insolvent

A financial condition defined by applicable state law, but generally involving an insurance company whose assets are insufficient to meet its liabilities or that is unable to meet its financial obligations as they become due.

Moratorium

A temporary court-ordered pause or restriction on matters such as insurance policy or annuity payments, withdrawals, or contract changes while the insurer is in receivership.

Guaranty Association or Guaranty Fund

State-created nonprofit organizations that generally provide certain statutory protections for policies and contracts when a member insurer is found insolvent and ordered liquidated. The nature and amount of protection vary under applicable state law, and not all policies, contracts, or claims are covered.

Guaranty Association and Guaranty Fund System

Two nationwide networks coordinate activities of state guaranty associations and guaranty funds when a liquidation order is entered:

• **NOLHGA** - The National Organization of Life and Health Insurance Guaranty Associations (www.nolhga.org), supporting life & health guaranty funds.

• **NCIGF** - The National Conference of Insurance Guaranty Funds (www.ncigf.org), supporting property & casualty and workers' compensation guaranty funds.

Links to Active Receiverships

NAIC Global Receivership Information Database ("GRID") | Access GRID →