

Questions and Answers Concerning the Rehabilitation of Ullico Casualty Company and Workers' Compensation

1. The Delaware Chancery Court has issued an order declaring that Ullico Casualty Company is in rehabilitation. What does that mean?

When an insurer is impaired, insolvent, in unsound condition, or in a condition that would render its further transaction of insurance business hazardous to the policyholders or the public, the Insurance Commissioner may apply to the court for an order directing the Insurance Commissioner to rehabilitate the insurer. The Rehabilitation Order directs the Commissioner, as the Receiver, to (i) take possession of the property of the insurer, (ii) conduct the insurer's business, and (iii) take steps to remove the causes and conditions that have necessitated the rehabilitation.

If the rehabilitation is successful (when the purpose of the proceeding has been accomplished), the Court will issue an order terminating the rehabilitation proceeding. If the Receiver determines that further efforts at rehabilitating Ullico would be futile, the Receiver may apply to the court for an order of liquidation.

2. Why is the Delaware Insurance Commissioner handling the Rehabilitation?

Ullico Casualty Company is domiciled in Delaware.

3. Can Ullico continue to write insurance in Maryland while it is in Rehabilitation in Delaware?

No. Based on Ullico's deficiency in assets and unsound condition, by order dated March 19, 2013, the Maryland Insurance Commissioner suspended Ullico's certificate of authority and has directed Ullico to discontinue writing new insurance and renewal insurance.

4. Does this mean that my current workers' compensation policy with Ullico is invalid and I need to obtain other insurance?

No, not at this time. Ullico continues to be the insurer for any existing policy and the Receiver will conduct the insurer's business during the Rehabilitation proceeding. You should continue to pay your premiums.

5. What happens to existing workers' compensation awards during the Rehabilitation proceeding?

Workers' compensation awards, both for indemnity and medical benefits, will continue to be paid.

See Delaware Frequently Asked Questions About Ullico Casualty Company in Rehabilitation, question 4.

6. What about new claims or claims scheduled for hearing on pending issues?

Pursuant to the Rehabilitation and Injunction Order, and after consultation between the Maryland Insurance Administration and the Receiver, administrative proceedings involving Ullico Casualty (for which Ullico Casualty is obligated to defend a party insured) are stayed for a period of 180 days

commencing March 11, 2013. It is anticipated that the actual length of the stay will be significantly shorter and subject to revision.

7. How will the Commission Implement the Stay?

The Commission will administratively postpone all scheduled hearings in which Ullico is the insurer. There is no need for any party to file a request for continuance of hearing.

DO NOT FILE ANY NEW ISSUES IN CASES WITH ULLICO UNTIL THE COMMISSION POSTS NOTICE ON ITS WEBSITE THAT THE RECEIVER HAS LIFTED OR MODIFIED THE STAY.

8. I have heard that Ullico has filed for bankruptcy so I have implead the Uninsured Employers' Fund and the Property and Casualty Guaranty Fund. Is that correct?

NO. DO NOT IMPLEAD THE UNINSURED EMPLOYERS' FUND AND THE PROPERTY AND CASUALTY GUARANTY CORPORATION.

First, insurance companies may not file for bankruptcy. "A delinquency proceeding is the exclusive method of liquidating, rehabilitating, reorganizing, or conserving an insurer." Md. Code Ann., Ins. § 9-204.

Second, the employers who obtained insurance coverage with Ullico are not uninsured employers and there has been no default by the employer that would trigger any obligation of the Uninsured Employers' Fund. *See* Md. Code Ann., Lab. & Empl. § 9-1002.

Third, Ullico is in Rehabilitation, not liquidation. Pursuant to Insurance Article § 9-306 and § 9-301, the Property and Casualty Guaranty Corporation's responsibilities include covered claims existing on or before the determination of insolvency. However, an insurer is only considered "insolvent" when "a court of competent jurisdiction in the insurer's state of domicile has passed a final order of liquidation with a finding of insolvency." IN § 9-301(e). Thus, an order of liquidation with a finding of insolvency is a precondition to the liability of the Property and Casualty Guaranty Corporation.

Additional information will be available on the Maryland Insurance Administration's website and is currently available on the Delaware Insurance Commissioner's website http://www.delawareinsurance.gov/departments/berg/rehab_bureau.shtml, then click on Ullico Casualty Company.