

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE: Healthcare Providers Insurance :
Exchange, In Liquidation : No. 1 HPI 2017

**LIQUIDATOR’S FIRST PROPOSAL TO DISTRIBUTE ASSETS
TO STATE GUARANTY ASSOCIATIONS
PURSUANT TO 40 P.S. § 221.36**

Michael Humphreys, Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as Statutory Liquidator (“Liquidator”) of Healthcare Providers Insurance Exchange (“HPIX”), by his attorney, respectfully represents that:

1. Then-Acting Insurance Commissioner Jessica K. Altman, and her successor-in-office, was appointed Statutory Liquidator of HPIX pursuant to this Court’s Order dated January 12, 2018 (“Liquidation Order”). Ms. Altman resigned in February 2022 and Mr. Humphreys was appointed as the Acting Insurance Commissioner. Mr. Humphreys was confirmed in June 2023 as the Insurance Commissioner, and thus is the current Liquidator of HPIX.

2. The Liquidator makes this First Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. § 221.36 (“First Proposal”) in accordance with the provisions of Section 536 of the Insurance Department Act, Act of May 17, 1921, P.L. 789, No. 285, as amended, 40 P.S. § 221.36.

3. The purpose of this proposal is to provide the various state guaranty associations (“SGAs” or, in the singular, “SGA”) with early access to the available funds of HPIX in payment of the associations’ administrative expenses and claims payments. See 40 P.S. § 221.44. A list of the SGAs eligible to receive a distribution is attached hereto as Exhibit “A”.

4. If approved by this Court, this early access distribution will be the first distribution to the SGAs in the HPIX liquidation.

5. The liquid assets available in HPIX as of December 31, 2023, total approximately \$20,900,000.

6. The \$20,900,000 includes \$16,000,000 available for early access distribution to the SGAs, \$2,400,000 reserved to pay estimated future Liquidator expenses, and \$2,500,000 reserved to pay the pro-rata share of policyholder claims not paid to date or not covered by the guaranty associations. See 40 P.S. § 221.44.

7. Special and/or statutory deposits made by HPIX prior to liquidation totaled approximately \$100,000 as of the date of liquidation and relate to the state of Delaware. This amount has been recovered by the Liquidator. There were no additional deposits in other states.

8. In this First Proposal, the Liquidator proposes a total distribution of \$16,000,000 to the various SGAs. Each SGA's distribution is a combination of two parts and is calculated as follows. The first part is the amount of each SGA's undisputed claim for administrative expenses, which are the class "a" claims in the annual claims report for HPIX that was approved by this Court by Order dated February 23, 2024. The second part relates to the distributions for class "b" policyholder claims.¹ These amounts will be determined by dividing each SGA's total undisputed policyholder claims amount, as reflected in the annual claims report for HPIX that was approved by this Court by Order dated February 23, 2024, by the total amount of undisputed policyholder claims for all SGAs.

9. Pursuant to 40 P.S. § 221.36(b)(4), prior to receiving any monies from the Liquidator of HPIX in this First Proposal to distribute assets, participating SGAs will be required to opt-in to a refunding agreement in which they agree to reimburse the Liquidator with the following amounts: (a) any funds, including any investment income the association earned on the assets reimbursed, in excess of its share of the assets of the

¹ Class "a" and class "b" claims are a reference to the order of distribution provision found in 40 P.S. § 221.44.

liquidated company described above in paragraph 8; (b) any funds the association received as described above in paragraph 8 needed to fund any shortfall in the amounts reasonably required by the Liquidator to pay his administrative expenses for HPIX. In the case of a reimbursement made by a guaranty association under subsection (b) of this paragraph 9, no interest shall be paid to the Liquidator on the amounts reimbursed. The refunding agreement to be executed by the various SGAs is attached hereto as Exhibit "B."

10. The Liquidator proposes to make the early access distribution described herein to the SGAs listed on Exhibit A, provided however that early access distributions will not be made to guaranty associations that elect not to participate in the refunding agreement.

11. Pursuant to 40 P.S. § 221.36 (d), notice of this First Proposal was given on January 11, 2024, to the various SGAs and to the state insurance departments of the states in which HPIX was licensed.

WHEREFORE, the Liquidator prays your Honorable Court that the Liquidator be authorized to distribute \$16,000,000 to the various SGAs, as set forth in paragraphs 5, 6, and 8 of this First Proposal, in partial payment of their claims for administrative costs and policyholder payments that have been approved by this Court in the HPIX liquidation.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Preston M. Buckman". The signature is written in a cursive style with a horizontal line underneath.

PRESTON M. BUCKMAN (I.D. #57570)
Insurance Department Counsel
Office of Liquidations, Rehabilitations
& Special Funds
Governor's Office of General Counsel
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(717) 886-2080

Attorney for Michael Humphreys, Insurance
Commissioner of the Commonwealth of
Pennsylvania, in his capacity as Statutory
Liquidator of Healthcare Providers Insurance
Exchange (In Liquidation)

DATED: February 28, 2024

EXHIBIT A

Exhibit A

ENTITY	Class	\$			Total
		Amount approved	A	B	
Delaware Insurance GA (DEC)	A	19,866.32	19,866.32		
Delaware Insurance GA (DEC)	B	331,421.00		61,609.78	
	Total				81,476.10
Maryland Property & Casualty INS. Guaranty Corp	A	317,582.02	317,582.02		
Maryland Property & Casualty INS. Guaranty Corp	B	1,319,947.87		245,372.82	
	Total				562,954.84
New Jersey Property-Liability Insurance GA	A	529,273.26	529,273.26		
New Jersey Property-Liability Insurance GA	B	11,991,021.72		2,229,089.87	
	Total				2,758,363.13
Pennsylvania Property & Casualty Insurance GA (PAC)	A	4,346,475.81	4,346,475.81		
Pennsylvania Property & Casualty Insurance GA (PAC)	B	44,383,619.37		8,250,730.12	
	Total				12,597,205.93
Total	A	5,213,197.41	5,213,197.41		
Total	B	58,026,009.96		10,786,802.59	
	Total				16,000,000.00

EXHIBIT B

EXHIBIT B

REFUNDING AGREEMENT

This Refunding Agreement (“Agreement”) is entered into this _____ day of _____ 2024, by and between Michael Humphreys, Pennsylvania Insurance Commissioner, in his capacity as Statutory Liquidator (the “Liquidator”) of Healthcare Providers Insurance Exchange (“HPIX”) and the State Insurance Guaranty Associations (“SGAs”) listed in Exhibit A of the Liquidator’s First Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. § 221.36.

Recitals

A. On January 12, 2018, the Pennsylvania Commonwealth Court (the “Court”) entered an order of liquidation for HPIX directing that HPIX be liquidated (“Liquidation Order”). The Liquidation Order also appointed then Acting Insurance Commissioner Jessica K. Altman, and her successor in office, as Statutory Liquidator of HPIX.¹ Also on January 12, 2018, the Court entered an Order declaring HPIX to be insolvent.

B. Because HPIX was declared insolvent and ordered to be liquidated, the SGAs, subject to state-by-state conditions and limitations on coverage and applicability, may be authorized or required to fulfill the obligations of HPIX under its policies, i.e., to pay covered claims, and to incur administrative expenses in fulfilling those obligations (“SGA Obligations”).

C. On February 28, 2024, the Liquidator filed with the Court his First Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. § 221.36 (First Proposal”),

¹ Ms. Altman resigned in February 2022 and Mr. Humphreys was appointed as the Acting Insurance Commissioner. Mr. Humphreys was confirmed in June 2023 as the Insurance Commissioner, and thus is the current Liquidator of HPIX.

which contained the Liquidator's request for authorization to make early distributions to various SGAs from assets of the HPIX estate.

Agreements

The Liquidator and the SGAs, in consideration of the mutual benefits and promises received by the parties hereto and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, agree that the recitals set forth above are hereby adopted and made a part of this agreement and further agree to the following terms and conditions:

1. Any payments made by the Liquidator from HPIX's general assets pursuant to the First Proposal will be treated as early access distributions to the applicable SGA in accordance with 40 P.S. § 221.36.

2. Each SGA will return, within 30 days after receipt of a written request from the Liquidator, any early access distributions, with any investment income earned on assets reimbursed, the SGA has received (a) in excess of the amount distributed pursuant to this First Proposal, (b) if that repayment later becomes necessary to pay claims of secured creditors or claims of a higher priority under 40 P.S. § 221.36 (b) (1) or other relevant law, or (c) if that repayment later becomes necessary to fund any shortfall in the amounts reasonably required by the Liquidator to pay his administrative expenses for HPIX. In the case of subparagraph (c) of this paragraph 2, funds received by the SGAs as administrative expense reimbursements under 40 P.S. § 221.44(a), shall also be refunded as necessary in accordance with the timetable set out above in this paragraph and no interest shall be paid to the Liquidator on the amounts reimbursed. Any amounts which are not paid within the timetable as specified above in this paragraph 2 will accrue interest at the short-term three-month US Treasury rate. Such interest will accrue from the first date the payment is overdue until the date the unpaid and overdue

amount is received by the Liquidator.

3. Each SGA has filed with the Liquidator an omnibus proof of claim which has been approved by the Court.

4. This Agreement shall be governed by and construed in accordance with Pennsylvania law, but without regard to its choice of law rules. The SGAs agree to submit to the exclusive jurisdiction of the Court solely with respect to the enforcement of this Agreement, or any issue or dispute arising out of or relating to this Agreement.

5. Any notices and all other matters of communication from the Liquidator to the SGAs about this Agreement shall be sent by first class United States mail, postage prepaid, by overnight delivery service or electronic transmission.

6. Any notices and all other matters of communication from any SGA to the Liquidator about this Agreement shall be sent by first class United States mail, postage prepaid, by overnight delivery service or electronic transmission to the Statutory Liquidator of HPIX c/o Deputy Insurance Commissioner Laura Lyon Slaymaker, at 901 North 7th Street, Harrisburg, PA 17102 (electronic transmissions to c-jcho@pa.gov).

7. Each party shall pay all its own costs, fees, and expenses incurred or to be incurred in negotiating and preparing this Agreement and in closing and carrying out the transactions contemplated by this Agreement.

WHEREFORE, this Refunding Agreement is executed by the parties' duly authorized representatives as of the day first written above as follows:

Michael Humphreys, Pennsylvania Insurance
Commissioner, in his capacity as Statutory
Liquidator for Healthcare Providers Insurance
Exchange (In Liquidation)

By: _____
LAURA LYON SLAYMAKER
Deputy Insurance Commissioner

By: _____
Guaranty Association for _____

**CERTIFICATION OF COMPLIANCE
WITH PUBLIC ACCESS POLICY**

I certify that this filing complies with the provisions of the Public Access Policy of the Unified Judicial System of Pennsylvania: Case Records of the Appellate and Trial Courts that require filing confidential information and documents differently than non-confidential information and documents.



PRESTON M. BUCKMAN (I.D. #57570)
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(717) 886-2080

Attorney for Michael Humphreys, Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as Statutory Liquidator of Healthcare Providers Insurance Exchange, In Liquidation

Dated: February 28, 2024

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving the foregoing document upon all parties of record in this proceeding, in accordance with the requirements of Pa. R.A.P. 3780, in the following manner:

Service via email addressed as follows:

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CAMaio@foxrothschild.com
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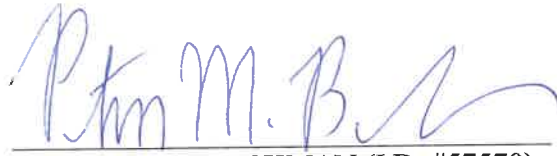
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Attorney for Michael Humphreys, Insurance
Commissioner of the Commonwealth of
Pennsylvania, in his capacity as Statutory Liquidator
of Healthcare Providers Insurance Exchange, In
Liquidation

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ORDER

AND NOW, this ____ day of _____, 2024, upon consideration of the Liquidator’s First Proposal to Distribute Assets to State Guaranty Associations Pursuant to P.S. § 221.36 (“First Proposal”), it is hereby **ORDERED** and **DECREED**:

1. The Statutory Liquidator is authorized to make an early access distribution of \$16,000,000 to the various state guaranty associations, as set forth in paragraphs 5, 6, and 8 of this First Proposal, in partial payment of their claim for administrative costs and claims payments incurred in the liquidation of Healthcare Providers Insurance Exchange (In Liquidation). The Statutory Liquidator shall make no other advance payments without further written approval from this Court.

Renee Cohn Jubelirer, President Judge