

National States Insurance Company, in Liquidation (“National States”) Questions and Answers

The Circuit Court of Cole County, Missouri has declared National States insolvent and has ordered the company into liquidation effective November 15, 2010. This document will help to answer frequently asked questions about making claims and the liquidation procedure.

Q. What happens when a company becomes insolvent and is liquidated?

A. Liquidation is similar to bankruptcy. When a company is liquidated, the Liquidator gathers the company’s assets and determines what liabilities, such as bills and claim payments, it has. The Liquidator then develops a plan to distribute the company’s assets according to law and submits the plan to the Court for approval. The liquidation process is very complex and is expected to take many years.

Q. You say National States was ordered liquidated. What will happen to my policy?

A. Insurance coverage will continue and policy claims will be covered and paid by state insurance guaranty associations, subject to statutory coverage limits, which will either pay them directly or transfer the policies to a financially stable insurance company. You are required to continue to pay any premiums due under your policy in order to be eligible for coverage under your policy from your state insurance guaranty association.

Q. Will policies be cancelled in liquidation?

A. No, not if the policy is a guaranteed renewable policy, it will not be cancelled. Remember, however, that if the policyholder does not pay the premium as it becomes due, the policy will be cancelled. A policyholder **MUST** pay any premium due to continue the policy. However, if a policy is a cancellable form, it may be canceled by the guaranty association post liquidation.

Q. What is a life & health insurance guaranty association?

A. Life & health insurance guaranty associations were created to protect state residents who are policyholders and beneficiaries of policies issued by a life or health insurance company that has gone out of business. Each state in which National States was licensed to do business has a life and health guaranty association to provide protection for policyholders and beneficiaries of insolvent insurance companies, like National States, subject to certain statutory limitations.

All insurance companies (with limited exceptions) licensed to write life and health insurance or annuities in a state are required to be members of the state’s life and health insurance guaranty association. If a member company becomes insolvent (goes out of business), the state insurance guaranty associations continue the coverage and pay the claims under the insolvent insurer’s policies, subject to statutory limits and conditions on coverage, and are entitled to the ongoing insurance premium for those policies. An insurance guaranty association obtains funds to meet its obligations by assessing the member companies.

Q. Is long-term care insurance covered by the insurance guaranty associations?

A. Yes, long-term care insurance is considered health insurance for guaranty coverage purposes.

Q. Will my claims be paid in full by the insurance guaranty associations?

A. State insurance guaranty associations have maximum benefit limits. These limits are established by state law and can vary from state to state. You may access more information regarding specific state guaranty associations at www.nolhga.com.

Q. If my policy benefits are higher than the state guaranty fund benefit limits, do I lose the difference in coverage?

A. While it has not been determined how claims above state guaranty fund benefit limits will be treated in the liquidation, losses in excess of guaranty association benefit limits may be eligible for submission as a policyholder claim against National States.

Q. Should I keep paying my premiums?

A. If you are paying premiums to National States, you must continue to do so even after National States goes into liquidation. Those premiums go to the guaranty association providing you continuing coverage, and if you stop paying premiums, your insurance benefits may be terminated.

Q. Will my claim be paid?

A. All claims will continue to be paid in accordance with the terms of your policy. You must continue to pay your policy premium when due to continue the coverage afforded by your policy. All claims will be subject to benefit limits set by the state guaranty association providing coverage for your policy.

Q. How long will it take for my claims to be paid by the insurance guaranty association?

A. When a company is placed into liquidation, the state insurance guaranty associations are typically activated to pay claims as soon as the court orders the liquidation. Claim payments usually begin within 90 days after the liquidation order is issued. However, the waiting period from the time of submission will vary based on the number of claims received, and the time claims are submitted.

Q. As a policyholder or certificate holder, do I need to file a Proof of Claim (“POC”) with the Liquidator?

A. No. If you are a National States policyholder or certificateholder and have a claim arising under a National States policy, please continue to submit those to National States per the terms of your policy. The Liquidator has entered into a Court approved Service Agreement with the National Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”), pursuant to which the Liquidator will provide to the guaranty associations claims processing and other administrative functions required in order for payment to be made on those claims which will qualify as covered obligations of the affected guaranty association. For the most part, the transition for the payment of life and health claims from National States to the state insurance guaranty associations will be seamless.

Q. Who can I call if I have questions?

A. You should continue to address your questions about your life and health policy to Policyholder Services at 800-868-6788.

Q. I believe I have a claim against National States, but I am not a policyholder or a beneficiary under the company’s policies. How do I make a claim?

A. Claims filed against National States by general creditors, stockholders, trade creditors, governmental agencies, reinsurers, cedants, agents, employees, former officers and directors and other persons interested in the affairs of the company are processed by the Liquidator. To file a claim for monies you believe to be owed to you by National States, you must file a POC form with the Liquidator no later than 4:30 p.m. CST, on **November 15, 2011**. If you fail to file a POC form by this date, your claim may not be considered to be timely filed. Failure to file a timely claim may result in denial of your claim or consideration of your claim at a lower priority level.

Q. How do I file a claim against National States?

A. If you believe you have a claim against National States, you must file a POC with the Liquidator using the enclosed POC form. Even if you have a claim already pending with National States you must file a POC. If your claim is a new claim, you should attach documentation to the POC to document your claim. If your claim has already been submitted to National States, you must complete the POC form, but it is not necessary for you to attach additional documentation. If additional information is needed at a later date, you will be contacted.

If you have more than one claim against National States, you may duplicate the POC form to submit each claim separately.

Information regarding certain types of claims against National States follows. You are urged to consult with your own attorney for assistance in preparing your POC.

a. Claims for agent commissions

If you were a National States agent and have a claim for earned commission, you are a general creditor and it will be necessary for you to complete a POC form. If you have documentation to support your claim, including your most recent statement, you should provide a copy of that documentation with your POC. If you do not have documentation, you should complete the information requested on the POC form and submit it as directed.

b. Claims of other general creditors

General creditors are persons or organizations, including law firms, reinsurers, trade creditors, etc., who provided services to National States prior to the April 1, 2010 effective date of the Order of Rehabilitation, for which they were not paid, or any person or organization who believes they are owed money by National States regardless of the time period in which these services were incurred, etc. If you believe you have a claim, it will be necessary for you to complete a POC form. If you have documentation to support your claim, you should provide a copy of that documentation with your POC.

c. Claims of former employees, officers and directors

If you are a former employee, officer or director of National States and you believe you have a claim, you must file a POC. You should attach documentation to support your claim to the POC form and submit it as directed.

Q. May I file a contingent claim?

A. Yes. Under Missouri law a person may file a claim even if it is a “contingent claim.” A “contingent claim” is one where the liability of the company is not yet determined or is dependent on the outcome of another event. If you file a contingent claim, complete the POC form, and indicate in the space for Amount of Claim, “unknown.” When further information becomes available, the claimant should immediately inform the Liquidator of the particulars and supplement the POC by providing documentation of the claim.

Policyholders do not need to file a POC at this time. Your claims will continue to be handled by the Liquidator pursuant to the court approved Service Agreement with NOLHGA.

Q. What is the deadline for filing a claim?

A. The Circuit Court of Cole County, Missouri has established **November 15, 2011 at 4:30 p.m. CST**, as the deadline for receipt of claims against National States. This deadline applies to claims against the estate by creditors other than policyholders. The deadline does not apply to policyholder benefit claims. If a non-policyholder creditor fails to file a POC form by this date, such claim may not be considered to be timely filed. Failure to file a timely claim may result in denial of a claim or consideration of a claim at a lower priority level.