Frequently Asked Questions and Answers Related To The Physicians Assurance Corporation (TPAC) In Liquidation

****Updated August 26, 2009****

See Pages 8 to 9

Background

The Physicians Assurance Corporation (TPAC) was incorporated in the State of Ohio in 2005. The Ohio Department of Insurance licensed TPAC to engage in the business of health insurance in the State of Ohio on February 1, 2008. TPAC covers approximately 350 groups, which include approximately 8,000 members in central Ohio. TPAC is not licensed to engage in the business of insurance in any other state.

TPAC is a stock company, and is primarily owned by physicians. Prior to liquidation, TPAC had offices in Worthington, Ohio.

The Liquidation Order

As a result of TPAC's insolvency, the Ohio Superintendent of Insurance requested and received a judgment and order of liquidation on August 18, 2009 in the case captioned: Mary Jo Hudson, Superintendent of Insurance v. The Physicians Assurance Corporation, Franklin County Ohio Common Pleas Court Case No. 09CVH08-12492 ("TPAC Liquidation Case"). Mary Jo Hudson, Ohio Superintendent of Insurance, is appointed as Liquidator. The Liquidator is vested with the title to, and authorized and directed to take possession of, all assets, property, books, records and documents of TPAC. The Liquidator is directed to liquidate all of the property of TPAC pursuant to Ohio law and under the continuing jurisdiction of the Liquidation Court.

The Liquidation Order and other court documents may be viewed at www.ohliq.com under Open Liquidations – The Physicians Assurance Corp. - Documents. These documents may also be viewed on the Department's web site, www.insurance.ohio.gov.

Frequently Asked Questions

What is Liquidation?

Insolvent insurance companies are not subject to the jurisdiction of the United States Bankruptcy Courts. All aspects of an insurance company's liquidation (sometimes referred to as receivership) resulting from insolvency are governed by the Ohio Insurer's Supervision, Rehabilitation and Liquidation Act, Ohio Revised Code Sections 3903.01-.59.

When the Ohio Superintendent of Insurance determines that an Ohio-domiciled insurer is insolvent or is operating in a financially hazardous manner, the Superintendent files a Complaint in the Franklin County, Ohio Common Pleas Court for an order placing the company into rehabilitation or liquidation. If the Court agrees with the Complaint, a rehabilitation or liquidation order is issued appointing the Superintendent

of Insurance as Rehabilitator or Liquidator of the company. In TPAC's case, the Superintendent was appointed as Liquidator on August 18, 2009 with TPAC's consent.

Once the Court enters a Liquidation Order, the Office of the Ohio Insurance Liquidator takes possession of the company's offices, equipment, records, property and assets. Under the Liquidation Court's supervision, the Liquidator is charged with, among other things, gathering these assets, converting them into cash and distributing the cash to claimants of the company. To receive a distribution, claimants must submit their claims to the Liquidator on a Proof of Claim Form, along with supporting information to document their claims, by the prescribed filing deadline or bar date. As explained in more detail below, a bar date for claimants to file claims with the Liquidator has not yet been established.

Ohio Revised Code Section 3903.42 establishes a set of priorities for the Liquidator's payment of Proofs of Claims. There are nine classes of claims. All claims in a class must be paid in full before any payment is made to the next lower class. Within a class, all claims are paid equal pro rata shares if there are not sufficient funds to pay the class in full. The first priority is payment of the administrative expenses of the estate, followed by payment of claims under the policies or contracts of insurance written by the company. The last priority is payment to the owners of the company.

After all assets are converted to cash and all claims filed with the Liquidator are adjudicated, prioritized and valued, the Liquidator will file a petition with the Court asking for authority to distribute the cash according to this priority scheme. The Liquidator will endeavor to expedite this liquidation, but even in the best circumstances, the liquidation process takes several years.

Why was The Physicians Assurance Corporation (TPAC) ordered into liquidation?

The Department of Insurance has been monitoring TPAC's financial solvency. The Department determined that TPAC does not have adequate capital to meet its ongoing obligations to policyholders, certificate holders and other creditors. After efforts to raise additional capital, TPAC's Board of Directors agreed that TPAC is insolvent. Under these circumstances, the Department of Insurance is required to liquidate TPAC in order to protect its policyholders, creditors and the general public. The Liquidation Order protects policyholders because it triggers the liability of the insurance guaranty associations to continue to process and pay covered policyholder claims within their statutory cap and coverages. Notwithstanding this, there will be a delay in some medical claims reimbursement and TPAC policies will likely be cancelled or terminated in the next 30-45 days. All TPAC policyholders are strongly encouraged to promptly contact their agent or broker to take steps to seek coverage with a financially sound insurer in order to try to avoid any lapse in coverage. The Liquidator is also working with solvent insurers and TPAC's third party administrator to help expedite underwriting of new coverage.

Why did I receive a Notice of TPAC's Liquidation?

Shortly after a Liquidation Order is entered, a notice is sent to all known potential claimants advising them of the liquidation. In this case, the Liquidator notified known policyholders; the Ohio Life and Health Insurance Guaranty Association which may become obligated as a result of the liquidation;

insurance agents and brokers of TPAC; and all persons known or reasonably expected to have claims against TPAC as indicated by the books and records of the insurer. You received a Notice of TPAC's Liquidation if the Liquidator determined that you may be in one of these categories. You will receive another notice explaining the process you must follow to file proofs of claims against the TPAC liquidation estate if after six months of liquidation the books and records of TPAC continue to indicate that you are known or reasonably expected to still have claims against TPAC, such as because the guaranty association has not covered your entire claim.

Is there guaranty fund coverage for claims arising under TPAC insurance policies?

Yes. Ohio statutorily provides guaranty fund coverage for health insurance claims up to its statutory cap and coverage limits. These benefits are usually $100,000 for health insurance claims. Individual coverage generally does not exceed an aggregate of $300,000 per individual for all lines of insurance with any one insolvent insurer. Subject to the guaranty fund statutes and other applicable law, all covered and unpaid health claims as of the date of the Liquidation Order will be the responsibility of the applicable guaranty association.

What is guaranty fund coverage?

Each state, as well as Puerto Rico and the District of Columbia, has a Life and Health Insurance Guaranty Association. These "IGAs" are entities created by state statute to protect policyholders and certificate holders of an insolvent insurance company, typically in the company's individual state. Most guaranty associations, including Ohio's, provide coverage based on the residency of the policyholder. All insurance companies licensed to sell life or health insurance in Ohio must be members of the Ohio Life and Health Insurance Guaranty Association.

For more information on guaranty associations, please visit the Liquidator's website at www.ohliq.com under Open Liquidations – The Physicians Assurance Corp. – Documents – Bulletins. There, you will find the following bulletins: "What Happens When an Insurance Company Fails" and Seven Key Questions About Guaranty Associations" explain insolvency related procedures and answer basic questions about guaranty association coverage for policyholders and certificate holders of insolvent insurance companies. You may also visit the Ohio Life and Health Insurance Guaranty Association's website at www.olhiga.org

What if I have a claim that is more than the guaranty association limit or is not covered by the guaranty association?

Covered claims will in time be paid up to the guaranty associations' statutory cap and coverage limits. Amounts exceeding the limits and claims otherwise not covered will need to be submitted to the Liquidator prior to the absolute final bar date (a bar date is a deadline set by the Court for claimants to file proofs of claims with the Liquidator). The Liquidation Court has not established an absolute final bar date, and the Liquidator has not issued Proof of Claim Forms. An absolute final bar date will be established in approximately seven (7) months. At that time, the Liquidator will send a notice to you informing you of the absolute final bar date and the procedures for submitting a timely Proof of Claim

Form. Creditors may receive a distribution on allowed proofs of claims after the company's assets are liquidated by the Liquidator.

Is TPAC Continuing to Process and Pay Claims?

No. The Ohio Life and Health Insurance Guaranty Association will assume liability for the processing and payment of claims arising under TPAC's policies to the extent of its statutory and coverage limits. The Liquidator and TPAC's third party administrator will cooperate with the guaranty association to process claims. Some delay may occur in this transition.

How do I get my claims paid?

You should continue to submit claims to TPAC in the same manner as you did prior to the entry of the Liquidation Order. The Liquidator will promptly forward all new, pending and previously submitted claims of TPAC policyholders and certificate holders to the applicable guaranty association, which will pay covered and unpaid claims up to its statutory cap and coverage limits.

All other claims must be timely submitted to the Liquidator in a Proof of Claim Form, and these claims will be paid by the Liquidator pursuant to Ohio Revised Code Section 3903.42 to the extent the claims are allowed and TPAC has assets to pay claims.

How do I file a new claim?

If you are a policyholder or insured under a TPAC policy, you should continue to submit claims to TPAC in the same manner you did prior to the Liquidation Order. The Liquidator is working with TPAC's third party administrator and cooperating with the guaranty association which will process and pay covered and unpaid claims under TPAC policies up to its statutory cap and coverage limits. Please do not resubmit claims you have already sent to TPAC as this will only delay the processing and payment of claims.

If you are a general creditor or other person who is not a policyholder that is owed money from TPAC, you must file your claims with the Liquidator on a Proof of Claim Form prior to the absolute final bar date in order to be considered for any distribution or payment of claims from the Liquidator. The Liquidation Court has not established an absolute final bar date, and the Liquidator has not issued Proof of Claim Forms. An absolute final bar date will be established in approximately seven (7) months. At that time, the Liquidator will send a notice to you informing you of the absolute final bar date and the procedures for submitting a timely Proof of Claim Form.

Should I continue to pay my premiums?

Yes. To receive guaranty fund coverage, you must have paid your premiums on time and you must continue to pay your premiums until your policy terminates by its own terms, is cancelled, or is replaced by a policy issued by a solvent insurance company. However, coverage under the TPAC policy will stop once your current contract expires.

Who do I call for pre-certifications? Do I need to repeat a pre-certification?

You will continue all normal procedures for pre-certification that existed prior to the Liquidation Order until your TPAC coverage terminates, is cancelled or replaced.

Should I get coverage with a new insurer?

Yes. You are strongly encouraged to call your agent or broker now to try to get new coverage with a financially sound insurance carrier. The receiver will be working with the guaranty associations to make arrangements for limited continuation of coverage and the payment of claims. Claims will continue to be honored until coverage is canceled by you or the guaranty association.

How can I get new health insurance coverage?

If you are an employee who has TPAC coverage through your employer, you should first contact your employer. If you are an employer or other group with a group health plan underwritten or administered by TPAC, or if you are an individual TPAC policyholder, you should immediately contact your broker or insurance agent for new coverage options. Tips on looking for new health insurance coverage can be obtained at the Department of Insurance web site, www.insurance.ohio.gov or by calling the Department's Consumer Service's hotline at 1-800-686-1526. The Liquidator is also working with solvent carriers and TPAC's third party administrator to help expedite underwriting of new coverage.

Will my new coverage insure pre-existing conditions?

The Department and the Liquidator cannot guaranty that plans offered by financially sound insurers will match the benefit plans, options and pricing TPAC offered, or cover pre-existing conditions. Plans through a financially sound carrier can often be tailored to the insureds' needs based on price or the options selected. The type of coverage is negotiable with many options. Group and individual policyholders should contact their licensed health plan agents or brokers to discuss coverage options.

How do I stay informed about the TPAC Liquidation?

The Liquidation Order and other court documents may be viewed at www.ohliq.com under Open Liquidations – The Physicians Assurance Corp. - Documents. These documents may also be viewed on the Department's web site, www.insurance.ohio.gov.

Any person who has questions about the Liquidation Order should call the Office of the Ohio Insurance Liquidator at 614-487-9200 or the Department at 1-800-686-1526. The Liquidator and the Department are experiencing a high volume of calls. If you are unable to speak to someone, please leave a voice mail message or send an email. You may also contact the Office of the Ohio Insurance Liquidator by emailing questions to TPAC@ohliq.com or by writing to the Office of the Ohio Insurance Liquidator, Attn: TPAC, 50 W. Town Street, Third Floor, Suite 350, Columbus, OH 43215. Messages left on voice mail or email

will be returned as promptly as possible. ***Please do not call the Liquidation Court, as the Court will refer you back to the Office of the Ohio Insurance Liquidator.***

How many people are currently directly affected by TPAC's Liquidation?

TPAC covers approximately 350 groups, which include approximately 8,000 members in central Ohio. TPAC also had approximately 30 employees. TPAC also had a number of vendors and trade creditors whose claims are not covered by guaranty associations and who will receive a Proof of Claim Form approximately seven (7) months from now after the Liquidation Court establishes an absolute final bar date.

How much money does TPAC have to pay claims that are not covered by the guaranty associations?

The Liquidator will file a schedule of TPAC's assets with the Liquidation Court within 120 days of the Liquidation Order, which is approximately December 18, 2009. The Liquidator will also file semi-annual accountings (court cash reports) with the Liquidation Court. The first court cash report will be filed on or around April 1, 2010 for the period August 18, 2009-December 31, 2009. The Liquidator may be better able to answer the question as to TPAC's assets at and after these filings begin. The likelihood of receiving a distribution on a Proof of Claim will not be known until all of the Proofs of Claims are filed, adjudicated and assets are recovered. The Liquidator will endeavor to expedite this liquidation, but even in the best circumstances, the liquidation process takes several years.

UPDATES - as of 8/21/2009

UPDATE – 8/21/2009

What if my doctor or hospital is requiring that I pay the bill while claims payments are delayed in the TPAC Liquidation?

The Liquidation Order prevents providers from attempting this. If your provider is refusing covered services or requiring that you pay claims that would have been covered and paid by TPAC, you should call TPAC at 614-310-0555 or the Office of the Ohio Insurance Liquidator at 614-487-9200 or the Department at 1-800-686-1526. If your policy is covered by a guaranty association your covered medical claims will be paid in due course by the applicable guaranty association up to its statutory cap and coverage limits. You are required to pay uncovered claims, deductibles, co-pays and other sums owing from certificate holders under your plan.

UPDATE – 8/21/2009

My doctor or hospital is refusing service to me because of TPAC's Liquidation or late payment of claims. What should I do?

The Liquidation Order requires providers to continue providing covered services for a limited period of time after the Liquidation Order up to the statutory cap of the guaranty association, which for many

claims is $100,000. If your provider is refusing covered services, you should call TPAC at 614-310-0555 or the Office of the Ohio Insurance Liquidator at 614-487-9200 or the Department at 1-800-686-1526.

UPDATE – 8/21/2009

Will I be covered for upcoming surgery?

The Liquidation Order requires providers to continue providing covered services for a limited period of time after the Liquidation Order and only up to the amount of the guaranty association's statutory cap. If your upcoming surgery is a covered service that does not exceed the limits of guaranty fund coverage, and your provider is refusing covered services, you should call TPAC at 614-310-0555 or the Office of the Ohio Insurance Liquidator at 614-487-9200 or the Department at 1-800-686-1526.

UPDATE – 8/21/2009

Payment of August Premium

TPAC in Liquidation continues to collect premium. Do not stop payment on your premium for August 2009. If a group insured/policyholder does not remit its August premium, its insurance coverage will terminate effective July 31, 2009 and there will not be any guaranty fund coverage. In addition, claims will not be paid for dates of service on or after August 1, 2009 and any claims that have already been paid for dates of service on or after August 1, 2009 will need to be repaid to TPAC in liquidation.

UPDATE – 8/21/2009

Broker's Question: How quickly do we need to notify TPAC in Liquidation so that a premium payment through EFT will not be drawn out of the insured's account?

The EFT (electronic fund transfer) draw is made from the insureds account on the 17th through 21st of the month for the current month's premium.

In order for the TPAC Liquidator to disable the EFT draw process in a timely manner, the insured or broker must send a request in writing by email to rcaldwell@tpacinsurance.com for policy cancellation resulting from obtaining replacement coverage. The written request, including the approval letter from the new carrier showing the new group number and the effective date on the 1st of the current month ("Proof of New Coverage"), must be received no later than the 16th of the month.

If the TPAC Liquidator receives the written request after the 16th of the month, the Liquidator will review your written request and Proof of New Coverage and contact you regarding the refund of premium, if appropriate.

Please note, if any claims were submitted to TPAC for payment after the first of the month, TPAC in Liquidation will not be able to stop the premium deduction for the month.

UPDATE – 8/21/2009

Employer Group Question: We pay our TPAC premium through an automatic deduction from our bank account via an EFT (electronic fund transfer). If we obtain new coverage with another insurer, what is the latest date we can notify TPAC in Liquidation to stop the automatic deduction of premium for the current month?

You must notify TPAC in Liquidation in writing by email to rcaldwell@tpacinsurance.com that you request the TPAC policy cancellation and you must provide proof of replacement cover consisting of the approval letter from the new carrier showing the new group number and the effective date on the 1st of the current month ("Proof of New Coverage"). The written request must be received no later than the 16th day of the current month.

If the TPAC Liquidator receives the written request after the 16th of the month, the Liquidator will review your written request and Proof of New Coverage and contact you regarding the refund of premium, if appropriate.

Please note, if any claims were submitted to TPAC for payment after the first of the month, the TPAC Liquidator will not be able to stop the premium deduction for the current month.

UPDATES - as of 8/26/2009

UPDATE – 8/26/2009 - SEPTEMBER 2009 PREMIUM PAYMENT

Payment of September 2009 Premium

TPAC in Liquidation will continue to collect premium for September 2009. Do not stop payment on your premium for September 2009. If a group insured/policyholder does not remit its September premium, its insurance coverage will terminate effective August 31, 2009 and there will not be any guaranty fund coverage. In addition, claims will not be paid for dates of service on or after September 1, 2009 and any claims that have already been paid for dates of service on or after September 1, 2009 will need to be repaid to TPAC in Liquidation.

Payment by EFT (Electronic Fund Transfer): If an Employer Group Insured/Policyholder ("Group") pays its TPAC premium through an automatic deduction from its bank account via an EFT (Electronic Fund Transfer), the September 2009 premium will be handled the same way by TPAC in Liquidation.

Payment by Check: If a Group pays its TPAC premium via check, please continue to pay your September 2009 premium in the same way that you did prior to TPAC's liquidation.

Cancellation of Payment by EFT: If a Group cancels the EFT payment of its premium for September 2009, the Group must pay its September 2009 premium by check by September 17, 2009, which is the same day that the EFT payment would have been made.

UPDATE – 8/26/2009 - NON-PAYMENT OF AUGUST 2009 PREMIUM

What happens if the Group did not pay its August 2009 premium?

TPAC in Liquidation will re-bill the Employer Group Insured/Policyholder ("Group") for premium not paid for August 2009 with the September 2009 premium billing. TPAC in Liquidation will be sending a separate letter to the Group notifying that its insurance policy will be cancelled effective July 31, 2009 if the payment is not received by TPAC in Liquidation by August 31, 2009.

UPDATE – 8/26/2009 - ONLINE ENROLLMENT DISABLED

We cannot access the online enrollment on TPAC's website to add new employees or delete terminated employees. How do we do this now?

To make sure that the Liquidator and the Ohio Life and Health Insurance Guaranty Association are aware of changes to the employees (and dependents) in an Employer Group Insured/Policyholder ("Group"), the Liquidator has (will) disable the online enrollment feature on TPAC's website. If the Group needs to change the employees (and dependents) covered under the Group policy, please call your account manager at TPAC in Liquidation at (614) 310-0555 and they will assist you.