

1975 WL 29326 (S.C.A.G.)  
Office of the Attorney General  
State of South Carolina  
December 15, 1975

\*1 Honorable Claude E. McCain  
Chairman  
S. C. Insurance Commission

Question Presented:

Does Judge Grimball's rehabilitation order for New South Life Insurance Company, dated June 5, 1972, afford full protection to policyholders' buying such policies subsequent to June 5, 1972.

Statutes, Cases, etc., Involved:

S. C. Code § 37-1, et seq.

Discussion of the Issue:

On June 5, 1972, Honorable John Grimball issued an order wherein he enacted a plan of rehabilitation for the New South Life Insurance Company. In that order he attempts to distinguish between old debit policies and new debit policies. The rehabilitation order specifically provides for a lien upon the cash surrender value of old debit policies. However, in paragraph (c) of the plan of rehabilitation, it states:

'No restrictions are imposed upon any new debit policies, ordinary policies, and/or hospital or surgical policies, and such policies may be handled by the company in accordance with their terms.'

In paragraph (r) of the plan of rehabilitation, it

'During the period in which this plan is in operation, the company under the direction of the Chief Insurance Commissioner shall be permitted to continue its business operations in accordance with accepted insurance practices, except that reserves established with respect to policies issued after the date of approval of this plan will be supported by assets segregated from the other assets of the company. Investments made from such assets so segregated will be segregated from the investments made with other funds of the company.'

It is quite evident from the language of the plan quoted above that during the period the plan of rehabilitation is in effect that new policyholders, as defined therein, are fully protected and are entitled to the full benefits under the terms of their policies. The plan of rehabilitation does not specifically provide for a division of the assets in the event the plan fails and the company is thereafter liquidated, or eliminated by some other means. It can be inferred from paragraph (c) above that the Court intended that the new policyholders would be supported by assets that were segregated and, therefore, upon the failure of the company, that these assets would be available only to the new policyholders.

Conclusion:

New policyholders, as defined in the plan of rehabilitation are fully protected during such plan of rehabilitation and entitled to all benefits under the terms of their policies.

A. Camden Lewis  
Assistant Attorney General

1975 WL 29326 (S.C.A.G.)

---

End of Document

© 2018 Thomson Reuters. No claim to original U.S. Government Works.