

Health Care Alert: Update on MIIX Insurance
Company's Plan of Rehabilitation

By Brian M. Foley, Esq.

MIIX Insurance Company ("MIIX") has been in Rehabilitation since September 2004. The Commissioner of the New Jersey Department of Banking and Insurance ("DOBI") was appointed by the Superior Court of New Jersey to serve as the Rehabilitator. In February 2005, the Court issued a stay of all trials, settlement conferences, mediations and arbitrations against MIIX insureds, in order to implement a proposed settlement plan.

Pursuant to the settlement plan, DOBI, as Rehabilitator of MIIX, targeted certain pending claims for immediate settlement. There were approximately 2,600 claims against MIIX insureds. It was the goal of the plan to settle those cases in which liability would most likely occur, and leave MIIX with sufficient assets to continue to defend those cases which are deemed defensible. On May 2, 2005, settlement offers were made to 708 claimants. As of June 27, there were 544 offers accepted. DOBI analyzed the response and determined that it was sufficient to allow the Rehabilitation to continue. According to DOBI, "since an adequate number of claimants and insureds agreed to settlement and resolution of these cases, MIIX Insurance will be left with enough assets to run off the remaining liabilities of the company".

The total to be paid under these 544 settlements is \$185 million. This would leave MIIX with approximately \$189 million in assets, an amount DOBI believes is sufficient to cover the costs of defending the remaining reported claims, future claims and the on-going cost of administering the Rehabilitation.

DOBI has filed an Order to Show Cause with the Superior Court, seeking Court approval to make the settlement payments and proceed with the Rehabilitation plan. The Court has scheduled a hearing on August 16.

In papers filed with the Court, DOBI notes that if the settlements are approved, MIIX will still have 1,573 pending claims against its insureds. It also is anticipated that another 250 new claims will be filed by 2008. DOBI believes that it will have sufficient assets to defend the unresolved cases and pay any final judgments. Nevertheless, DOBI cautions, "Although we have deemed the plan a success, it is still possible that it may become necessary to apply for an order of liquidation in the future".

If the Court approves the settlements, then the real key to the success of this plan will be to resolve all remaining claims before the balance of the assets totaling \$189 million is exhausted. We will continue to follow the MIIX Rehabilitation.