

# Frequently Asked Questions About ReliaMax Surety Company in Liquidation

The Sixth Circuit Court of Hughes County, South Dakota (Court) declared ReliaMax Surety Company, (ReliaMax) insolvent and ordered the company into liquidation effective June 27, 2018. This document will help to answer frequently asked questions about making claims and the ongoing liquidation proceeding.

## **1. What is a liquidation proceeding?**

A. Liquidation is a type of receivership and is similar to bankruptcy. When a South Dakota insurance company such as ReliaMax is ordered into liquidation, the South Dakota Insurance Code authorizes the Director of Insurance of the State of South Dakota, in their capacity as Liquidator, to liquidate the insurance company. The liquidation proceedings are very complex and is anticipated to take several years.

The Liquidation Order (Order) directs the Liquidator, to (i) take possession of and safeguard the property of the insurer, (ii) conduct the insurer's business, and (iii) take such steps needed to liquidate (wind-up the affairs of) the business of the insurer under the supervision of the Court and as the Court may direct.

## **2. Who is in charge of ReliaMax during Liquidation?**

A. The Liquidator oversees ReliaMax during Liquidation. On June 27, 2018, the Court entered the Order, which appointed the Director of Insurance of the State of South Dakota as Liquidator of ReliaMax. The Liquidator appointed Michael J. FitzGibbons as the Special Deputy Liquidator ("SDL") to carry out the responsibilities of the Liquidator with respect to the liquidation. Only persons engaged by the Liquidator or the SDL will have authority to act on behalf of ReliaMax.

## **3. Why was ReliaMax placed into Liquidation?**

A. Based upon Management's March 31, 2018 filed financial statement, the Director of Insurance of the State of South Dakota determined that ReliaMax was insolvent. The Court then made a Finding of Insolvency with the issuance of the Order.

## **4. What happens to my coverage under my ReliaMax Bond?**

A. All bonds in force at the time of the issuance of the Order continue only for the lesser of:

- 1) 30 days from the date of entry of the Order;
- 2) the exoneration of the bond;
- 3) the date the bond is replaced or otherwise terminated; or
- 4) the Liquidator has affected a transfer of the bond obligation pursuant to § 58-29B-57.

**5. When should I replace my bond?**

A. Immediately.

**6. Will I be issued a refund for my premium?**

A. Unearned premium claims are subordinate to loss claims. However, we expect at this time there will be a distribution for unearned premium claims.

**7. Is there Guaranty Association or Fund Coverage to Pay Claims?**

A. You should contact your state Guaranty Association / Fund to determine if coverage is afforded.

**8. Will my claims be paid in full by the Liquidator?**

A. It is too early to estimate what amount of loss claims will be paid. If all loss claims are paid in full, we will then make a pro rata distribution to unearned premium claimants and general creditors.

**9. If my claim is not a policy (bond) claim will my claim be paid?**

A. If all loss claims are paid in full, we will then make a pro rata distribution to unearned premium claimants and general creditors.

**10. Am I required to file a Proof of Claim with the Liquidator?**

A. If you have a claim against ReliaMax and wish to pursue that claim, you must file a Proof of Claim by the Bar Date, December 31, 2018.

**11. How do I file a claim against ReliaMax?**

A. A Proof of Claim must be submitted by the Bar Date. We will forward to all interested parties a Proof of Claim. In the event you need multiple Proofs of Claim you can retrieve these on the website at [www.reliamaxsuretycompany.com](http://www.reliamaxsuretycompany.com).

Claims submitted after the Bar Date, December 31, 2018, will be considered late filed and are therefore “subordinate” to claims of insureds. We do not expect any distribution to subordinate claims.

The Proof of Claim form will be accompanied with a set of instructions and be posted on the website. All Proof of Claim must be signed and notarized and submitted to the address in the Proof of Claim Instructions. Proofs of Claim *cannot* be submitted electronically or by facsimile.

Documents that support your claim must be attached to the Proof of Claim. Please answer all applicable questions. Missing information will slow the processing of your claim.

Also, be advised that you must submit a separate Proof of Claim for each claim that you have against ReliaMax. For instance, if you are an insured of ReliaMax and have both a claim for a return of unearned premium and a loss claim arising out of an alleged defaulted loan under the bond, please submit a separate Proof of Claim for each of those claims. In addition to the above, please submit a separate Proof of Claim for each alleged defaulted loan under the bond. For

instance, if you are an insured of ReliaMax and have more than one loss claim arising out an alleged default under the bond, please submit separate Proof of Claim for each of the alleged defaulted loans.

Provide as much detail as needed to support your claim.

The Liquidator strongly encourages all potential claimants to submit their Proofs of Claim as soon as possible to avoid a claim being considered untimely filed after the Bar Date.

All proof of claim filers are requested to keep the Liquidator advised of their current contact information.

## **12. What happens to my claim against ReliaMax?**

A. Presuming you file a Proof of Claim it will be adjudicated by the Liquidator. The proof of claim process provides for a streamlined and consistent adjudication methodology. This includes an automatic stay of any pending litigation for which ReliaMax is a defendant. This stay is necessary to promote the Proof of Claim process, so all creditors are treated fairly and evenly in accordance with the Orders of the Court.

Over time the Liquidator will liquidate the assets of ReliaMax and evaluate and monetize the Proofs of Claim. Once this process is complete the Liquidator will then be in a position to make a pro rata distribution to policyholder/insured claimants.

## **13. What happens if I have, or want to bring, a lawsuit against ReliaMax?**

A. No action at law or equity may be brought against ReliaMax or the Liquidator, whether in South Dakota or elsewhere, nor shall any such existing actions be maintained or further prosecuted after issuance of the Order. As discussed above there is an automatic stay in place as part of the Order issued by the Court.

## **14. What happens to my service contract with ReliaMax?**

A. As a vendor, you might be authorized to continue providing services under your contract if the Liquidator or the SDL determines that it is in ReliaMax's best interest. Services rendered prior to the Order and unpaid are subject to the Proof of Claim process.

## **15. May I file a contingent claim?**

A. Yes. Under South Dakota law a person may file a claim even if it is a "contingent claim." A "contingent claim" is one where the liability of ReliaMax is not yet determined or is dependent on the outcome of an event. If you file a contingent claim, complete the Proof of Claim, and indicate in the space for Amount of Claim "undetermined." When further information becomes available, it is your responsibility to immediately inform the Liquidator of the particulars and supplement your Proof of Claim.

## **16. Whom can I contact if I have a question regarding ReliaMax and/or the Liquidation Proceeding?**

A. Email Claimant Services at [questions@reliamax.com](mailto:questions@reliamax.com). You can also call Claimant Services at 605-444-4800. ReliaMax home office remains at:

ReliaMax Surety Company in Liquidation

2300 E. 54<sup>th</sup> Street North  
Sioux Falls, South Dakota 57104

Additional information regarding the ReliaMax receivership will be posted from time to time on ReliaMax's website at [www.reliamaxsuretycompany.com](http://www.reliamaxsuretycompany.com)

**17. Should I continue to pay premium invoices received from ReliaMax?**

A. All bonds remained in force until July 27, 2018. ReliaMax will bill for all premium owed up to the cancellation date. The decision to pay billed premiums is up to each insured of ReliaMax. However, any distribution from the estate to which you, as an insured, may be entitled to as part of the Proof of Claim process, will be offset by any unpaid invoices due to ReliaMax.

**18. As an insured, or a servicer on behalf of an insured, should I continue to submit claims for defaulted loans?**

A. Yes. Insureds or servicers on behalf of insureds, should continue to submit claims on defaulted loans in usual course. These claim(s) for defaults should also be submitted as part of your Proof of Claim (POC) for the liquidation. The last date to file your timely POC is December 31, 2018 at 5:00 p.m. CST. Loss (defaults) claims are subordinate to Class 1 and Class 2 claims but superior to Unearned Premium claims. See "Class Codes – Priority and Order of Distribution" for additional detail and linked on [www.reliamaxsuretycompany.com](http://www.reliamaxsuretycompany.com).

**19. I am a borrower or co-signer to a borrower and received a Proof of Claim from ReliaMax; what is this and what do I need to do?**

A. Borrowers and co-signers of loans insured by ReliaMax received notice if you had direct contact with ReliaMax within the last 2 years. We do not expect you to have a claim against ReliaMax. However, if you believe you have a claim against ReliaMax, please complete the Proof of Claim form and submit it per the instructions. Please continue to honor your payment obligations under your loan agreement.

**20. What if I do not know my unearned premium amount for the Proof of Claim?**

A. Complete all remaining sections of the Proof of Claim and indicate unknown for this amount in the appropriate section. The Liquidator will calculate this amount. You will be advised of this determination in accordance with Proof of Claim procedures.

**21. For loss claims on insured loans, what dollar amount should I list in the Proof of Claim?**

A. The amount of the claim listed in the Proof of Claim should reflect the principal and interest amount as of July 27, 2018, which is the date all policies (bonds) cancel.

**22. As a Lender or Servicer of a Lender, when will ReliaMax cease providing Default Prevention (Request for Assistance) services?**

A. Policies (Bonds) remain in force until July 27, 2018. As such, ReliaMax will continue to provide Request for Assistance as it has done in the past. All payments made or received from Borrowers will continue to be processed as usual. On July 28, 2018, ReliaMax will no longer provide Request for Assistance but will continue to answer calls received but will refer borrowers or co-signers to the lender or the servicer on record.

**23. As a borrower or co-signer who has been working with ReliaMax about my loan, what should I do?**

A. Continue working with the ReliaMax representatives as they will continue working with you and your servicer/lender regarding your loan. The ReliaMax representative can answer any questions you may regarding your specific situation.

**24. Does ReliaMax have reinsurance? And if so, what does this mean?**

A. Most insurance companies maintain reinsurance to “spread” the risk. ReliaMax used reinsurance for the same purpose. The Liquidator is presently examining all reinsurance contracts and will seek any recoveries available in accordance with contract terms. All reinsurance recoveries are general assets of the estate and will be pooled with all other general assets for distribution to creditors consistent with the scheme of class codes. See “Class Codes – Priority and Order of Distribution” for additional detail and linked on [www.reliamaxsuretycompany.com](http://www.reliamaxsuretycompany.com).

**25. Can you provide a sample completed Proof of Claim form? Can you help me complete the Proof of Claim form?**

A. Each claim against ReliaMax is unique and will require unique information specific to the claim at hand. No two Proof of Claim forms will be the same and a sample completed Proof of Claim form is not available. If you have specific questions about the Proof of Claim form, please email Claimant Services at [questions@reliamax.com](mailto:questions@reliamax.com).

**26. I have a participation interest in a portfolio of student loans insured by ReliaMax; what do I need to do?**

A. ReliaMax surety bonds typically only insure one lender, and only an insured lender can make a claim under the bond. All other contractual arrangements (such as participation) by the insured lender are not part of the insurance provided by ReliaMax, and ReliaMax does not have any information about these arrangements. You should speak to directly to the insured lender about any questions you may have regarding these arrangements.

**27. I have filed a loss/default claim with ReliaMax, including an assignment of the loan as required by the surety bond; can I proceed with collection activities until the Proof of Claim (POC) is adjudicated by the Liquidator?**

A. In the event of a loss/default claim on a loan insured by a lender, the surety bond requires the assignment of the defaulted loan to ReliaMax. ReliaMax will not take assignment of the loan and begin recovery efforts until the POC has been adjudicated and claim payment has been made to the lender. If a lender wishes to engage in continued collection activities prior to adjudication of its loss/default claim, and subsequent assignment to ReliaMax, ReliaMax encourages lenders to consult with their servicer and legal counsel prior to any recovery activates to ensure compliance with state and federal laws and regulations. In the event any collection is made by the lender during this period, the lender is required to amend their POC filing to reduce the amount of their claim by any amounts recovered. Prior to accepting any distribution from the Surety as a result of the POC process, the liquidator will require all claimants to affirm, under penalty of perjury, that the claimant received no other monies regarding the loss/default claim.