



South Carolina Department of Insurance

NIKKI R. HALEY
Governor

RAYMOND G. FARMER
Director

To: South Carolina Health Cooperative Member Employers
From: Raymond G. Farmer, Director of Insurance
Re: South Carolina Health Cooperative, Inc.
Date: November 25, 2014

A handwritten signature in black ink that reads "Raymond G. Farmer".

Dear SCHC Member Employer,

We are writing to provide you with an update on the status of the South Carolina Health Cooperative, Inc. (SCHC). On November 24, 2014, the South Carolina Department of Insurance filed a petition for rehabilitation in the Richland County Court of Common Pleas relating to the SCHC. The Department took this action after being notified that the two standby letters of credit that served as security for the SCHC's reserves were determined to be fraudulent.

The Department is in the process of investigating this matter further, but had little alternative but to pursue additional regulatory action, including seeking an order placing the SCHC into rehabilitation. The Department has also determined that the SCHC is in hazardous financial condition and, as such, cannot offer any coverage going forward. Any premiums submitted for December 2014 coverage will be returned to the payee.

In conjunction with the above, the Department has exercised its regulatory authority to release you from your contractual obligations to remain a member of the SCHC. You are free to seek coverage for you, your family and your employees with any licensed insurer writing small group health insurance coverage in South Carolina. To assist you with securing alternate coverage, the Department is reaching out to insurers to expedite the transition process to ensure that you can get coverage with a December 1, 2014 effective date. You are free to contact insurers directly. In addition, the rehabilitator plans to forward your business contact information to one or more insurers currently writing small group health insurance coverage on December 1, 2014 unless you opt out of this process by sending an email to SCHCinfo@doi.sc.gov by 9:00 a.m. on December 1, 2014.

We have heard from a number of you and your employees that are already experiencing issues with claims payments. We understand the very real implications this has on you, your employees, and their families and are working diligently to minimize the impact SCHC's financial issues have on you and all members of the Plan. With that in mind, we will also be reaching out to providers to ask that they stand down from pursuing collections to give the rehabilitator time to marshal all assets and determine all outstanding claims liabilities. We are working on a claims payment procedure and will provide more information to you and your providers on this in the coming days and weeks.

SCHC Member Employers
November 25, 2014
Page Two

Please note that the decision not to enforce the five-year commitment provision of your membership agreement does not relieve you as a member employer of any other obligations under your agreement with the SCHC or the hold harmless agreement you may have executed with the SCHC. As you know, the SCHC is a multiple employer welfare arrangement (MEWA) that offers self-funded health benefits. Claims liabilities are borne by the employer members and, as with any self-funded plan, there is no guaranty fund protection. We recognize that this liability could very seriously impact you and your employees and want to assure you that our first priority is to the thousands of individuals that are members of the SCHC. To that end, we are committed to doing our best to minimize the impact on you and the other small employers who faithfully paid their premiums.

While we understand and respect how difficult this request is, we ask that you be patient as we try to work through all of the logistics of this matter and that you check the website, www.doi.sc.gov/840/SCHC, often as we plan to share regular updates as we move forward.

FOR MORE INFORMATION
Phone: (803) 737-6081
Email: SCHCinfo@doi.sc.gov
Online: www.doi.sc.gov/840/SCHC