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Insurance Insolvency

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Panel Upholds Zero Assignment Value On Claims Made To Insolvent Insurer's Liquidator

HARRISBURG, Pa. — The Pennsylvania Commonwealth Court on March 21 affirmed a liquidator's notices of determinations assigning a priority level (e) and a valuation of \$0 to claims for expenses related to investment of guaranty fund assets because any benefit does not go to the insolvent insurer's estate but rather each insurance guaranty association's member insurers. **SEE PAGE 4.**

Pennsylvania High Court Upholds Judgment In Favor Of Liquidator On Indemnity Claim

HARRISBURG, Pa. — The Pennsylvania Supreme Court on March 12 affirmed an order granting summary judgment to the liquidator of Reliance Insurance Co. and denied a city's claim for \$1.3 million in indemnity on a policy insuring against liability for acts of employment discrimination. **SEE PAGE 5.**

Del. High Court: Insolvent Insurer's Owner's Due Process Rights Were Not Violated

DOVER, Del. — The delinquency proceedings for an insolvent nightclub insurer did not violate the constitutional due process rights of the insurer's owner or his company, the Delaware Supreme Court affirmed April 9. **SEE PAGE 6.**

Judge Stays Insurers' Special Deputy Receiver's Motion For In Camera Review

ST. LOUIS — Pending receipt of a status report by the special deputy receiver (SDR) of three insolvent insurers, a Missouri federal judge on March 27 held in abeyance a motion filed by the SDR for an *in camera* review of produced documents in a lawsuit alleging a fraudulent scheme that left the insurers insolvent. **SEE PAGE 8.**

Panel Orders Appraisal For Hurricane Coverage From An Insolvent Insurance Company

WEST PALM BEACH, Fla. — A Florida appeals panel on April 2 affirmed a trial judge's order that an appraisal panel should determine the amount of loss under an insolvent insurance company's policy sustained by an insured for ordinance or law coverage regarding reconstruction following Hurricane Wilma. **SEE PAGE 11.**

Judge Refuses To Dismiss Insolvent Insurers' Fraud Lawsuit Against Defendant

ST. LOUIS — A Missouri federal judge on April 10 denied an incarcerated defendant's motion to dismiss or sever a lawsuit filed by the special deputy receiver (SDR) of three insolvent insurers alleging a fraudulent scheme conducted by the defendant regarding the insurers. **SEE PAGE 12.**

Judge Orders Union American Insurance Co. Into Liquidation

TALLAHASSEE, Fla. — A Florida judge on March 11 ordered Union American Insurance Co. into liquidation and named the Florida Department of Financial Services (FDPS) as receiver. **SEE PAGE 15.**

Justice Orders Parties To Show Cause For Not Closing Insurer's Receivership

NEW YORK — A New York justice on March 4 ordered all claimants and all parties interested in the affairs of Acceleration National Insurance Co. to show cause why the ancillary receivership of the insurer should not be closed. **SEE PAGE 17.**

Judge Orders Liquidator To Make Final Disbursement Of Assets To Claimants

HONOLULU — A Hawaii trial judge on March 10 authorized the liquidator of PrimeGuard Insurance Co. to make a final distribution of the insurer's liquidation assets to class two claimants. **SEE PAGE 18.**

Judge Orders Closure Of Liquidation Of Integrity Insurance Company

HACKENSACK, N.J. — A New Jersey judge on March 28 ordered the final distribution of assets and the closing of the estate in the liquidation proceedings for Integrity Insurance Co., which included a reserve for \$35 million to settle remaining asbestos claims. **SEE PAGE 19.**

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\$35 million to settle remaining asbestos claims (In the matter of the liquidation of Integrity Insurance Co., No. BER-C-7022-86, N.J. Super., Bergen Co.).

(Order available. Document #10-140415-021R.)

On Dec. 30, 1986, the Bergen County Superior Court, Chancery Division, placed Integrity into rehabilitation and appointed the New Jersey insurance commissioner as rehabilitator. The court found the stock insurance company to be insolvent. On March 24, 1987, the court ordered Integrity into liquidation and named the insurance commissioner as liquidator; the current liquidator is New Jersey Banking and Insurance Commissioner Kenneth E. Kobylowski.

Liquidation

The liquidator said that he and his successors have been engaged in marshalling Integrity's assets and liquidating its liabilities. The liquidator said he has collected \$336 million from Integrity's various reinsurers. The liquidator maintained that there is an estimate of \$850,000 currently owed from Integrity's reinsurers.

The liquidator also said that he has filed lawsuits against certain of Integrity's former management and its independent auditor for their role in causing Integrity's insolvency. The liquidator maintained that the lawsuits resulted in substantial recoveries for the estate.

The liquidator said that he has given notice of Integrity's liquidation and that proof-of-claim forms were sent to tens of thousands of Integrity's policyholders. The liquidator said approximately 26,000 proof-of-claim forms were filed, many of which resulted in claims that have been paid in part or in full by the various state guaranty associations.

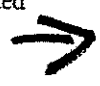
Final Closure

On March 5, 2014, the liquidator moved for an order granting permission to make a final distribution of Integrity's assets and for termination of the estate. A defendant class, consisting of more than 20,000 individuals with asbestos-related bodily injury claims against the defunct Robert A. Keasbey Co., opposed. The defendants moved for an order requiring the estate to remain open until the class's \$35 million priority-four claim against Integrity is fully resolved.

The defendants argued that the liquidator's motion is premature because the defendants have not yet exhausted

Judge Orders Closure Of Liquidation Of Integrity Insurance Company

HACKENSACK, N.J. — A New Jersey judge on March 28 ordered the final distribution of assets and the closing of the estate in the liquidation proceedings for Integrity Insurance Co., which included a reserve for



their appellate rights on their claim. Judge Robert C. Wilson approved the liquidator's motion. The judge ordered the liquidator to establish a reserve in the amount of \$456,000 net of future receipts for the estate's future administrative fees and expenses that will be incurred to complete the remainder of the liquidation of Integrity.

Judge Wilson also ordered the liquidator to establish a reserve of \$35 million so that there are sufficient funds to satisfy the claim of the class individuals who filed proof of claims against Integrity based on claims against Keasbey. In the event that the liquidator's denial of the class' claim is upheld, the judge concluded that the objector reserve is to be distributed to allowed claimants on a *pro-rata* basis.

Distribution

The judge authorized the liquidator to distribute \$1.2 million to priority-one claimants and \$157 million to eligible allowed priority-four claimants. The judge held that any surplus remaining will be paid to the allowed claimants on a *pro-rata* basis. The judge authorized the liquidator to transfer any unclaimed payments to the New Jersey Unclaimed Property Trust Fund.

"If any in the event the Liquidator receives additional assets of the Estate after the date of the final distribution of the Estate's assets as provided for herein, or the Objector's Reserve is released in whole or in part, the Liquidator shall, distribute such assets on a pro rata basis to allowed claimants, including the Defendant Class if its claim has been allowed in whole or in part upon final resolution as set forth above, after the payment of any unassociated administrative expenses of the Estate. The Liquidator may establish a *de minimis* level of recovery to insure that the administrative costs associated with distribution are minimized while distributions to the claimants within the same priority level are maximized," the judge said.

The judge instructed the liquidator to destroy all of the estate's policy and claim files as well as the estate's human resource files. Finally, the judge discharged and released the liquidator, the deputy liquidator and their agents from any and all further liability arising out of the liquidation.

David M. Freeman of Mazie Slater Katz & Freeman in Roseland, N.J., represents the liquidator. Eugene Killian Jr. and Ryan Milun of The Killian Firm in Iselin,

N.J., and Richard Shore of Gilbert in Washington, D.C., represent the opposing defendants.

(Additional documents available: **Motion**. Document #10-140415-022B. **Opposition**. Document #10-140415-023B. **Reply**. Document #10-140415-024B.) ■