

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Reliance Insurance Company :
in Liquidation :
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No. 1 REL 2001

***IN RE: Liquidator’s Application for Approval of Report and
Recommendations on Resolved Claims as of June 30, 2016***

MEMORANDUM and ORDER

Presently before the Court is the Liquidator’s Application for Approval of Report and Recommendations on Resolved Claims as of June 30, 2016 (Application). Included in her application is a request to discharge the liability associated with the previously adjusted workers’ compensation reserves.¹

Pursuant to Pa. R.A.P. 3784(a) and Section 545(a) of the Insurance Department Act of 1921 (Act), added by the Act of December 14, 1977, 40 P.S. § 221.45(a), the Liquidator is required to present to the Court a report of the claims against the Reliance estate along with her recommendations. The required report is attached as Exhibit E to the Liquidator’s Application. According to the Liquidator, in “evaluating the undisputed claims and resolving the disputed claims, the Liquidator carefully reviewed all documentation submitted by the claimants in

¹ No responses have been filed to the Application. By order dated June 10, 2016, this Court directed as follows: “Based on the [entry of the] Claims Bar Date, the Liquidator is authorized and directed to adjust the workers’ compensation claim reserve amounts for indemnity payments and eliminate medical escalation in those claim reserve amounts to establish workers’ compensation reserves on an approximate present value basis.”

support of the claims and independently determined the merit, classification and value of each claim, as required by the Act.” Application, ¶ 12. The Liquidator has further represented that:

[T]he classification and amounts she has determined for the reported claims are appropriate, fair and equitable, and consistent with the relevant provisions of the Act and this Court’s Orders. The Liquidator further believes that the approval of the claims listed in the Attached Report is in the best interests of the Reliance estate, its policy holders, claimants and other creditors.

Application, ¶ 14.

Considering that the Liquidator is statutorily authorized to “comport, compromise or in any other manner negotiate the amount for which claims will be recommended to the court,” *see* Section 545(a) of the Act, as well as her above recommendation, the Court will approve the Report as directed in the accompanying order.

With respect to the Liquidator’s request to discharge liability associated with adjusted reserves, the Court notes that prior to entry of the Claims Bar Date, the Liquidator maintained claim reserves on its books to reflect an estimate of ultimate liability for unresolved workers’ compensation claims. In the Court’s Order of June 10, 2016, the Court authorized the Liquidator to adjust those reserves to an approximate present value basis. The Liquidator now seeks a “discharge of the liability for such adjustments in the workers compensation reserves so that the total reduction in those reserve amounts shall be eliminated with no payment or distribution from Reliance.”² Application, ¶ 19. According to the Liquidator, the

² The Liquidator requested a similar discharge of adjusted reserve liability in its Application filed on May 9, 2016. Although no response or objection was filed to the request, the Court did not grant the requested relief at that time.

“discharge of these reserve amounts will allow a more accurate reflection of the estimated settlement or allowed amount for worker compensation claims to be resolved with insureds and GAs [Guaranty Associations] under all POCs [Proof of Claims] received prior to the Claims Bar Date.” *Id.*

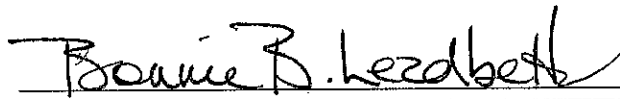
Pursuant to the Act, the Liquidator has broad discretion to take action that is necessary to conserve or protect the assets and property of the Reliance estate. *See* Section 523, added by the Act of December 14, 1977, 40 P.S. § 221.23. The Court will defer to the Liquidator’s authority and discretion in administering the Reliance estate unless there is an abuse of discretion. *Koken v. Colonial Assurance Co.*, 885 A.2d 1078 (Pa. Cmwlth. 2005) (single judge op.). As described above, the discharge of the reserves at this time demonstrates a sound exercise of discretion. Accordingly, the Court will grant the request.

AND NOW, this **29th** day of **November, 2016**, the Liquidator’s Application is **GRANTED** as follows:

1. The claims listed in the Report and Recommendations on Resolved Claims (Report) as of June 30, 2016, are approved and allowed both as to classification and amount as listed;
2. The Report is incorporated herein by reference;
3. The Liquidator is authorized to withhold distributions to those claimants whom Reliance believes are Medicare recipients or potential Medicare recipients unless they have completed the Reliance questionnaire and returned it to Reliance;
4. The Liquidator is authorized to include Medicare as a payee on the distribution check if there is a current Medicare lien and/or issue a separate distribution to a Medicare trust for the claimant’s future medical expenses;

5. The Claimants listed in the Report or their lawful assignees shall receive a distribution in accordance with Section 544 of the Act, added by the Act of December 14, 1977, as amended, 40 P.S. § 221.44, at the time and in the manner as approved and previously directed by this Court;

6. The adjustments to the workers' compensation reserve liabilities by the Liquidator, as authorized by this Court's Order of June 10, 2016, constitute reserve obligations which are hereby discharged and the total reduction in those reserve amounts shall be eliminated accordingly with no payment or distribution from Reliance.



BONNIE BRIGANCE LEADBETTER,
Senior Judge

Certified from the Record

NOV 29 2016

And Order Exit