

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE: :  
 : No. 1 REL 2001  
Reliance Insurance Company :  
In Liquidation :

*In Re: Application for Approval of Direct Payment of Reinsurance by  
Central Fidelity Insurance Company to CBS Corporation*

**MEMORANDUM and ORDER**

Presently before the Court for consideration is the Application of the Statutory Liquidator of Reliance Insurance Company for Approval of Direct Payment of Reinsurance by Central Fidelity Insurance Company to CBS Corporation (Application). No responses or objections have been filed to the Application.

Direct payment of reinsurance proceeds to a Reliance insured is governed by Section 534 of Article V of the Insurance Department Act of 1921 (Act),<sup>1</sup> 40 P.S. § 221.34, the “Guidelines for Enforcement of 40 P.S. § 221.34,”(Guidelines) and the Order of this Court dated April 26, 2002 (approving the Guidelines for direct payment of reinsurance proceeds).<sup>2</sup>

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<sup>1</sup> Act of May 17, 1921, P.L. 789; Section 534 was added by the Act of December 14, 1977, P.L. 280.

<sup>2</sup> Section 534 states:

The amount recoverable by the liquidator from reinsurers shall not be reduced as a result of the delinquency proceedings, regardless of any provision in the reinsurance contract or other agreement. Payment made directly to an insured or other creditor shall not diminish

The Liquidator has approved the written request for approval of direct payment of reinsurance by Central Fidelity Insurance Company (Reinsurer) to CBS Corporation (Insured) and recommends in her Application that the Court approve the direct payment as well.<sup>3</sup>

In support of her Application and recommendation, the Liquidator represents that: (1) Reinsurer and Insured comply with Section 534 of the Act, 40 P.S. § 221.34, the Guidelines and the Court's Order of April 26, 2002; (2) the Reinsurance Agreements expressly provide for a direct coverage obligation from Reinsurer to Insured in the event that Reliance became insolvent; (3) Reinsurer has unequivocally assumed Reliance's entire direct coverage obligation to Insured and Reinsurer's payment to Insured will satisfy Reliance's coverage obligation to Insured; (4) Insured has consented to the substitution of Reinsurer for Reliance and consents to the release of Reliance for all claims that Insured has against Reliance relating to the coverage at issue; and (5) no person or firm will earn any contingent fee or extra remuneration of any type as a result of this transaction. The Liquidator has submitted supporting documentation as well, including the relevant reinsurance agreements, the Assumption and Substitution by Reinsurer executed by Reinsurer's representative and Insured's Informed Consent to Substitution of Reliance.

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the reinsurer's obligation to the insurer's estate except when the reinsurance contract provided for direct coverage of an individual named insured and the payment was made in discharge of that obligation.

40 P.S. § 221.34.

<sup>3</sup> According to the Liquidator, Reliance issued the underlying policies to Westinghouse Electric Company, which changed its name to CBS Corporation, subsequently merged with Viacom and later changed its name back to that currently used, CBS Corporation.

Upon consideration of the Application, supporting documents and the Liquidator's representations, the Court concludes that the direct payment from Reinsurer to Insured satisfies the Act, Guidelines and prior Order of April 26, 2002. Therefore, the Court enters the following Order.

AND NOW, this 28th day of April, 2017, the Application is granted. Accordingly, the Court confirms the Liquidator's approval of the direct payment by Reinsurer to Insured and further approves Reinsurer's assumption of a direct coverage obligation to Insured upon the terms set forth in Reinsurer's request and supporting documentation. Finally, the Court approves the direct payment to Insured by Reinsurer in accordance with the direct payment obligations resulting from its assumption.



BONNIE BRIGANCE LEADBETTER,  
Senior Judge

**Certified from the Record**

**APR 28 2017**

**And Order Exit**