

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

*IN RE: Liquidator’s Application for Approval of Final GA Omnibus Class
(b) Notices of Determination as of April 22, 2017*

MEMORANDUM and ORDER

Before the Court is the Liquidator’s unopposed Application for Approval of Final GA Omnibus Class (b) Notices of Determination as of April 22, 2017 (Application). The Liquidator’s Application is submitted pursuant to this Court’s prior orders addressing the administration of Guaranty Association (GA) claims (Order of November 19, 2007) and GA omnibus Proof of Claims (POCs) (Order of December 11, 2003), as well as Pa. R.A.P. 3784(a) and Section 545(a) of the Insurance Department Act of 1921 (Act),¹ 40 P.S. § 221.45(a), which require the Liquidator to present to the Court a report of the claims against the Reliance estate along with her recommendations. In her Application, the Liquidator seeks approval of the final omnibus class (b) Notices of Determination (NODs) that have been issued to the respective GAs in response to the omnibus POCs filed by the individual GAs. The final omnibus class (b) GA NODs (final omnibus NODs) at

¹ Act of May 17, 1921, P.L. 789. Section 545, a part of Article V, was added by the Act of December 14, 1977, P.L. 280.

issue include the Liquidator's allowed amounts for undisputed class (b) claim payments submitted to the Court for approval for the first time, and all allowed amounts for class (b) claims for each GA, which were previously approved by the Court. As of December 31, 2016, the GAs had 4,800 open claims remaining. To date, the Court has approved GA class (b) claims totaling \$2.1 billion.

The Liquidator notes that in order to issue the final omnibus NODs, it was necessary to determine an allowed amount for any open claims requiring continued GA payments beyond closure of the Estate.² Reliance has settled the future liability of the GAs by determining the present value of the estimated future payments for indemnity, medical costs and other expenses.

Exhibit A to the Application sets forth the individual class (b) undisputed claims by GA, which have not been previously submitted to the Court for approval. Exhibit A also sets forth GA Level Adjustments, which include, inter alia, GA claim activity on claims previously reported to the Court and deductible reimbursement amounts credited to a GA. Finally, Exhibit A reflects the Recommended Allowed Amount for Claims for each GA (the sum of the total valuation amount plus or minus the GA level adjustments). The Liquidator has recommended approval of 250 individual class (b) GA claims (not previously submitted for approval) for a total Recommended Allowed Amount for Claims of \$32,213,482.41.

Exhibit C to the Application then sets forth the final omnibus NODs by GA. No objections were filed to any of the NODs listed on Exhibit C.

² According to the Liquidator, such claims would primarily involve indemnity payments and medical expenses associated with workers' compensation claims. Other claims that could remain open after Estate closure include personal injury protection claims and mass tort claims.

In requesting Court approval of the Recommended Allowed Amounts for Claims on Exhibit A and the final omnibus NODs reflected on Exhibit C, the Liquidator avers that such amounts are “appropriate, fair, equitable, and consistent with the relevant provisions of the Act and this Court’s orders.” Application, ¶¶ 15 and 18. In addition, the Liquidator avers that Court approval of the claims is in the best interests of the Estate, its policyholders, claimants and other creditors.

The Liquidator also seeks to convert early access payments received by the GAs pursuant to Section 536 of the Act, 40 P.S. § 221.36 (pertaining to Liquidator’s proposal to distribute assets to GAs) into distribution payments so that the GAs with an approved final omnibus class (b) NOD will share in the same distributions as all other claimants with an approved class (b) NOD. The Liquidator has clearly set forth the numerical values included in the conversion calculation, including offset amounts, if any, GA net distribution amounts, early access advances to GAs, early access amounts to be converted to distribution payments and early access amounts to be retained by GAs, as well as the conversion calculation itself. Again, no objection has been raised to this request or the Liquidator’s calculations. In connection with the conversion request, the Liquidator requests Court approval of the offset amount to be deducted from the GA total distribution amount, to make distribution payments to the included GAs and to allow the subject GAs to participate in future distributions where required, as reflected in Exhibit D.

Considering the Liquidator’s representations, the lack of any objection to the Application, and the Liquidator’s broad authority to administer the Estate in a manner which protects the interest of the insureds, public and creditors, *see*

Sections 501 through 563 of the Act, 40 P.S. §§ 221.1 – 221.63, the Court approves the Application pursuant to the following Order.

AND NOW, this 7th day of June, 2017, upon consideration of the Liquidator's Application for Approval of Final GA Omnibus Class (b) Notices of Determination as of April 22, 2017 (Application), the Application is GRANTED as follows:

1. The Class, Valuation Amount, Guaranty Association (GA) Level Adjustments, and Recommended Allowed Amount for Claims listed in Exhibit A of the Application are approved and allowed as listed;

2. The undisputed and final omnibus class (b) Notices of Determination listed in Exhibit C of the Application are approved as a full and final settlement of all class (b) claims and allowed both as to Class and Total Allowed Amount for Claims as listed;

3. The Offset Amount netted against the GA Total Distribution Amount as shown on Exhibit D is approved;

4. Conversion of the early access advances made to the GAs included in the Application pursuant to Section 536 of the Act, 40 P.S. § 221.36, may be converted to distributions as set forth in Exhibit D of the Application;

5. The Liquidator is authorized to make a Distribution Payment due to any GA as shown on Exhibit D and such payments should be issued in the next regular quarterly distribution cycle; and

6. The GAs included in the Application will receive further distributions first through the conversion of any early access advances retained by the GAs as set forth in Exhibit D, and then through the payment of distributions whenever the

Court approves an increase in the interim distribution percentage or approves a final distribution.



BONNIE BRIGANCE LEADBETTER,
Senior Judge

Certified from the Record
JUN 07 2017
And Order Exit