

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 Report and Recommendations on Guaranty Association Notices of Determination through July 31, 2017

MEMORANDUM and ORDER

Presently before the Court is the Liquidator's Application for Approval of Report and Recommendations on Guaranty Association (GA) Notices of Determination (NODs) through July 31, 2017 (Application). In her Application, the Liquidator requests Court approval of specific NODs issued to various state GAs, which were either not disputed or were issued as part of the resolution of a disputed GA claim.

Pursuant to this Court's Order of November 19, 2007 (addressing the administration of GA claims), 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), the Liquidator is required to present to the Court a report of the claims against the Reliance estate along with her recommendations. The Liquidator has complied with this requirement and her report is attached as Exhibit A (titled, "Guaranty Association

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.

Loss/ALAE^{2]} NODs as of 07/31/2017”) to her Application. Each NOD listed on the report “addresses payments made by the GAs, submitted to Reliance, and processed by Reliance through the period covered by the NOD.” Application ¶ 9. For each NOD issued, the report details such information as the GA claim number, the line of business covered, the priority classification, the total amount paid by the GA on the submitted claim, the disallowed amount, the net allowed amount for class (b) and the net allowed amount below class (b) (or the total gross GA claimed amount minus the following: any disallowed amount, any amounts for class (b) claims and any deductible reimbursement). The total net allowed amount for class (b) claims is \$14,306,645.32; the total net allowed amount for claims below class (b) is \$0. The total disallowed amount is \$1,926,654.44.

The Liquidator has also provided a separate Report and Recommendations on “Guaranty Association Administrative Expense NODs as of 07/31/2017 (attached as Exhibit C to the Application). That report details the NODs regarding GA administrative expenses, and provides the GA NOD number, the GA claimed amount, the allowed and disallowed amount, an explanation for reducing the claimed amount, the priority classification, and whether the NOD was issued as part of a resolution of a disputed claim. Regarding the GA administrative expense NODs, the Court notes that the Liquidator has disallowed all claimed amounts.

According to the Liquidator, the objection period has expired for each NOD listed in the reports. In addition, no objections or responses were filed with the Court regarding the Application. The Liquidator requests approval of the NODs set forth in her reports, averring that the determined priority classification, allowed amounts, net allowed amounts and disallowed amounts are “appropriate, fair, equitable, and

² “ALAE” refers to “allocated loss adjustment expense.”

consistent with the relevant provisions of the Act and this Court's orders." Application at ¶ 17. The Liquidator further avers that the NODs listed in her reports are in the best interest of the Reliance Estate, its policyholders, claimants and creditors. *Id.*

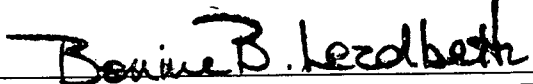
Pursuant to Section 545(a) of the Act, 40 P.S. § 221.45(a), the Liquidator must review all claims duly filed in the liquidation proceedings and investigate further any claims where such action is deemed necessary. Moreover, it is well settled that the Liquidator has broad discretion to administer the Reliance Estate in order to protect the multiple interests involved, and she is statutorily authorized to comport, compromise or in any other manner negotiate the amount of claims in order to settle the insolvent estate. *See* Section 545(a). Considering the Liquidator's discretion and authority, her averments that the GA claims were reviewed and that the determinations (NODs) are appropriate and fair, consistent with statutory and judicial standards and have not been challenged, the Court hereby **GRANTS** the Application, this **4th day of October, 2017**, as follows:

1. The priority classifications for the claims set forth in the Reports attached to the Application as Exhibit A (Guaranty Association Loss/ALAE NODs as of 07/31/2017) and Exhibit C (Guaranty Association Administrative Expense NODs as of 07/31/2017) are approved;

2. Specifically with respect to the claims listed in Exhibit A, the net allowed amounts in class (b), the net allowed amounts below class (b) and the disallowed amounts are approved;

3. Specifically with respect to the claims listed in Exhibit C, the allowed and disallowed amounts are approved; and

4. The Guaranty Associations listed in the Reports shall receive a distribution on the allowed amount in the approved NODs at the time and in the manner as finally approved by this Court.



BONNIE BRIGANCE LEADBETTER,
Senior Judge

Certified from the Record

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And Order Ext