

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 to Hunt Consolidated Inc.

MEMORANDUM and ORDER

Presently before the Court for consideration is the Application of the Statutory Liquidator of Reliance Insurance Company for the Approval of Direct Payment of Reinsurance to Hunt Consolidated, Inc. (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),¹ 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).² The Liquidator has approved the written request for

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

² 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

approval of direct payment of reinsurance by Hunt Equities, Inc. (as guarantor of Mount Vernon Insurance Company) (Reinsurer)³ to Hunt Consolidated Inc. (Insured) and recommends in her Application that the Court approve the direct payment as well.

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

the reinsurance contract or other agreement. Payment made directly to an insured or other creditor shall not diminish 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.

³ In 2003, Mount Vernon Insurance Company was wound up and dissolved and Hunt Equities, Inc. guaranteed that it would assume the full and punctual payment of Mount Vernon's obligations to Reliance.

agreements, the Assumption and Substitution by Reinsurer executed by Reinsurer's representative and the Insured's Informed Consent to Substitution of Reliance.

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

AND NOW, **this 9th day of August, 2017**, the Application is GRANTED. Accordingly, the Court confirms the Liquidator's approval of the direct payment by the Reinsurer to the Insured and further approves the Reinsurer's assumption of a direct coverage obligation to the Insured and upon the terms set forth in the Reinsurer's request and supporting documentation. Finally, the Court approves the direct payment to the Insured by the Reinsurer in accordance with the direct payment obligations resulting from its assumption.



BONNIE BRIGANCE LEADBETTER,
Senior Judge

Certified from the Record

AUG 09 2017

And Order Ext