

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 8, 2017

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION,
Applicant

v.

CASE NO. INS-2017-00155

RECIPROCAL OF AMERICA
and
THE RECIPROCAL GROUP,
Respondents

FINAL ORDER

On June 16, 2017, Jacqueline K. Cunningham, Commissioner for the State Corporation Commission's ("Commission") Bureau of Insurance, in her capacity as Deputy Receiver of Reciprocal of America ("ROA") and The Reciprocal Group ("TRG") (collectively, "Companies"), in receivership for liquidation, submitted her Application for Final Order Approving Various Wind-Down Matters ("Application"). The Application requested an order: (i) providing for a contingent hearing, to be held only in the event that written objection to the Application is timely filed; (ii) establishing response procedures; and (iii) approving notice procedures. The Application also sought a second, final Commission order: (i) ratifying the Deputy Receiver's compromise of claims asserted in the TRG estate by the Pension Benefit Guaranty Corporation ("PBGC Settlement Agreement"); (ii) ratifying the Deputy Receiver's commutation of a certain settlement trust agreement with General Reinsurance Corporation ("General Re Commutation Agreement"); (iii) ratifying the Deputy Receiver's compromise of claims asserted by the Companies in the liquidation of certain Tennessee risk retention groups ("Tennessee Settlement"); (iv) ratifying the record retention schedule attached to the Application,

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subject to any requirement to retain for a longer period any records relevant to pending or anticipated litigation ("Record Retention Schedule"); (v) ratifying the conduct and wind down of the receivership by the Deputy Receiver, her predecessor and their deputies, counsel, and consultants heretofore; (vi) approving the Deputy Receiver's establishment of a reserve of \$500,000 for TRG's final expenses and contingencies ("Reserve for TRG Final Expenses and Contingencies"); (vii) approving the Deputy Receiver's establishment of a reserve of \$10,000,000 for ROA's final expenses and contingencies ("Reserve for ROA Final Expenses and Contingencies"); (viii) approving the Deputy Receiver's execution, after the payment of all approved claims of the Companies (subject to the reserves for the Companies' respective wind-down costs, expenses, and contingencies), of an agreement to establish a liquidating trust for the purposes set forth herein; (ix) approving the distribution of the Companies' assets in the manner proposed herein; and (x) authorizing the Deputy Receiver to file notice and a report with the Commission, along with a recommendation that this receivership proceeding be closed, after the purposes of the liquidating trust and the receivership have been accomplished, any remaining assets in the liquidating trust have been distributed, and the liquidating trust has terminated.

On June 23, 2017, the Commission entered its Scheduling Order on the Application approving notice procedures; providing for a contingent hearing, to be held only in the event that any person objecting to the relief requested in the Application file a Notice of Objection to the Application no later than August 24, 2017 ("Contingent Hearing"); and establishing response procedures.

No Notices of Objection to the Application were filed.

NOW THE COMMISSION, having considered the Application, finds that the Contingent Hearing should be cancelled and that the relief sought by the Deputy Receiver should be granted as herein set forth.

Accordingly, IT IS ORDERED THAT:

- (1) The Commission ratifies:
 - a. The PBGC Settlement Agreement;
 - b. The General Re Commutation Agreement;
 - c. The Tennessee Settlement;
 - d. The Record Retention Schedule, attached to the Application as Exhibit 4; and
 - e. The conduct and wind down of the receivership by the Deputy Receiver, her predecessor and their deputies, counsel, and consultants heretofore.

(2) The Commission authorizes the Deputy Receiver, without further action by the Commission, to:

- a. Establish the Reserve for TRG Final Expenses and Contingencies for the purposes and in the manner and amount proposed in the Application;
- b. Establish the Reserve for ROA Final Expenses and Contingencies for the purposes and in the manner and amount proposed in the Application;
- c. Establish the proposed Liquidating Trust, for the purposes set forth in the Application;
- d. Distribute TRG's assets and ROA's assets in the manner proposed in the Application;
- e. Take any other necessary or appropriate steps, not contrary to the Commission's Final Order, to facilitate and expedite the closing of the receivership; and
- f. File a closing report with the Commission after the purposes of the Liquidating Trust have been accomplished, any remaining assets in the Liquidating Trust have been distributed, and the Liquidating Trust has terminated (including providing that if the Liquidating Trustee estimates that the costs of distributing any remainder of the Reserve for TRG Final Expenses and Contingencies pro rata to TRG's creditors, or that the costs of distributing

any remainder of the Reserve for ROA Final Expenses and Contingencies pro rata to ROA creditors, would exceed the amount of those remaining assets, the Liquidating Trustee shall instead pay those remaining funds to the Treasurer of the Commonwealth of Virginia).

- (3) The Contingent Hearing set in this matter is cancelled.
- (4) This case is dismissed, and the papers herein shall be placed in the file for ended

cases.

Commissioner Jagdmann did not participate in this matter.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the State Corporation Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219.