



GOVERNOR'S OFFICE OF GENERAL COUNSEL

August 3, 2011

NOTICE FILED
COMMONWEALTH COURT
OF PENNSYLVANIA
2011 AUG -3 A 9 24

Michael F. Krimmel, Chief Clerk
Commonwealth Court of Pennsylvania
601 Commonwealth Avenue, Suite 2100
P.O. Box 69185
Harrisburg, PA 17120-9185

Re: *Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania v. American Integrity Insurance Company*
No. 194 M.D. 1993

Dear Mr. Krimmel:

Enclosed for filing please find an original and two copies of an Application for Discharge and Recommendation for Disposition of Records Pursuant to 40 P.S. §221.50 with regard to the above-referenced matter.

Thank you for your assistance in this matter.

Very truly yours,

Preston M. Buckman
Insurance Department Counsel

PMB:drh

Enclosures

predecessors and successors in office, are discharged as Statutory Liquidator of AIIC and released from any liability to make payment of any further claims.

BY THE COURT:

P. KEVIN BROBSON, JUDGE

RECEIVED & FILED
COMMONWEALTH COURT
OF PENNSYLVANIA
201 AUG -3 A 9:24

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

MICHAEL F. CONSEDINE,
INSURANCE COMMISSIONER
OF THE COMMONWEALTH
OF PENNSYLVANIA,

Plaintiff,

v.

AMERICAN INTEGRITY INSURANCE
COMPANY,

Defendant.

No. 194 M.D. 1993

**APPLICATION FOR DISCHARGE AND RECOMMENDATION FOR DISPOSITION
OF RECORDS PURSUANT TO 40 P.S. §221.50**

TO THE HONORABLE, THE JUDGES OF SAID COURT:

Plaintiff, Michael F. Consedine, in his official capacity as Insurance Commissioner of the Commonwealth of Pennsylvania, as Statutory Liquidator of American Integrity Insurance Company (hereinafter, "Liquidator"), by his attorney, Preston M. Buckman, respectfully represents that:

1. By Order of this Court dated June 25, 1993, American Integrity Insurance Company (hereinafter "AIIC") was ordered liquidated, and the Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner") was appointed Liquidator and directed to take possession of AIIC's property and to liquidate its business and affairs. Michael F. Consedine is the current Commissioner, and thus is the current Liquidator of the AIIC estate.

2. On October 28, 2010, the Liquidator filed with this Court his Final Accounting and Petition for Distribution and Discharge (“Petition”), seeking to make a final distribution of those assets he has collected, in accordance with 40 P.S. §221.44.

3. The Liquidator provided notice to all known claimants of the Petition, which Notice was mailed on November 24, 2010, after approval by this Court by Order dated November 12, 2010. Copies of the Order and Notice are attached hereto as Exhibits A and B, respectively.

4. In response to his Notice, the Liquidator received one objection.

5. By Order dated May 23, 2011, the Chief Clerk issued an Order dismissing the Objector/Respondent’s objection for failure to respond to a Rule to Show Cause. A copy of the May 23, 2011 Order is attached hereto as Exhibit C.

6. There were no other objections to the Petition, and thus on June 8, 2011, the Liquidator filed a Motion to Approve Final Accounting and Petition for Distribution and Discharge.

7. By Order dated June 9, 2011, this Court approved the Liquidator’s final accounting and proposed distribution of assets, but denied, without prejudice, the Liquidator’s requests regarding: a) the disposition of records; b) the disposition of any future, unanticipated assets; and c) the discharge of the Liquidator. A copy of the June 9, 2011 Order is attached hereto as Exhibit D.

8. In accordance with the aforementioned June 9, 2011 Order, during the week of July 11, 2011, the Liquidator issued checks to all of AIIC’s policyholder class creditors who were owed assets from the estate. All of the assets of AIIC have been distributed and nothing further remains to be done prior to seeking the closure of this estate.

9. The Liquidator now files this Application for Discharge and Recommendation for Disposition of Records Pursuant to 40 P.S. §221.50 ("Application"), seeking this Court's approval of the discharge of the Liquidator and his recommendation regarding the disposition of records, which is attached hereto as Exhibit E. If any future, unanticipated assets of AIIC are received, a separate application will be filed with this Court regarding disposition of those assets.

WHEREFORE, the Liquidator prays your Honorable Court that:

1. The Liquidator be authorized to destroy the records of AIIC in accordance with the recommendation attached to this Application as Exhibit E within 60 days of any order this Court may issue approving this Application;

2. On the date 60 days from the date of any order this Court may issue approving this Application, Michael F. Consedine, in his official capacity as Insurance Commissioner of the Commonwealth of Pennsylvania, and his predecessors and successors in office, be discharged as Statutory Liquidator of AIIC and be released from any liability to make payment of any further claims.

Respectfully submitted,



PRESTON M. BUCKMAN (I.D. #57570)
Governor's Office of General Counsel
Pennsylvania Insurance Department
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

Counsel for Michael F. Consedine, in his official capacity as Insurance Commissioner of Pennsylvania, as Statutory Liquidator of American Integrity Insurance Company (In Liquidation)

DATED: _____

8/3/11

EXHIBIT A

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario, Insurance Commissioner	:	
of the Commonwealth of Pennsylvania,	:	
	:	
Plaintiff	:	No. 194 M.D. 1993
	:	
v.	:	
	:	
American Integrity Insurance Company,	:	
	:	
Defendant	:	

ORDER

AND NOW, this 12th day of November, 2010, upon consideration of Liquidator's Final Accounting and Petition for Distribution and Discharge and Plaintiff's concomitant Notice To All Claimants of American Integrity Insurance Company (Notice), it is hereby determined that only Plaintiff's Notice, to be delivered by first-class mail to all claimant's is APPROVED.


 JIM FLAHERTY, Senior Judge

Certified from the Record

NOV 15 2010

And Order Exit

EXHIBIT B



NOVEMBER 24, 2010

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE: AMERICAN INTEGRITY
INSURANCE COMPANY

Docket No. 194 M.D. 1993

**NOTICE TO ALL CLAIMANTS OF
AMERICAN INTEGRITY INSURANCE COMPANY**

PLEASE TAKE NOTICE that Robert L. Pratter, in his official capacity as Acting Insurance Commissioner of the Commonwealth of Pennsylvania, and as such, Statutory Liquidator of American Integrity Insurance Company ("AIIC") (In Liquidation) has filed his Final Accounting and Petition for Distribution and Discharge for the period from June 25, 1993, to June 30, 2010 ("Petition"). The Petition sets forth the steps taken in this liquidation during this period of time.

PLEASE TAKE FURTHER NOTICE that the total for class "a", "b", "d", "e", "f", "g" and "i" claims that has been approved and allowed is \$99,561,752.48. There are no class "c" or "h" claims. The total net assets available for distribution, after payment of administrative expenses incurred by the Liquidator, are \$63,866,704.63.

The Petition requests that:

1. The Final Accounting and Petition for Distribution and Discharge of Robert L. Pratter, in his official capacity as Acting Insurance Commissioner of the Commonwealth of Pennsylvania, as Statutory Liquidator of AIIC, be approved and confirmed absolutely.

2. The Liquidator be authorized to make a distribution of the assets of AIIC in accordance with paragraph 6 of the Petition as follows:

- A. Priority class "a" claims will be paid at 100%. The Liquidator has already received \$5,257,423.56 in administrative expenses.
- B. Priority class "b" claims will be paid at 62%.
- C. There are no priority class "c" claims.
- D. Priority class "d" claims will not be paid.
- E. Priority class "e" claims will not be paid.
- F. Priority class "f" claims will not be paid.

G. Priority class "g" claims will not be paid.

H. There are no priority class "h" claims.

I. Priority class "i" claims will not be paid.

3. The Liquidator's form of Notice to be sent by first class mail to claimants be approved.

4. The Liquidator be authorized to destroy records of AIIC, other than appropriate administrative files, within the Liquidator's discretion.

5. Any assets of AIIC received after the date of discharge be used to satisfy any unreimbursed administrative expenses incurred by the Liquidator.

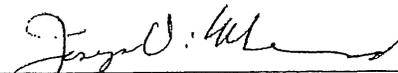
6. Robert L. Pratter, in his official capacity as Acting Insurance Commissioner of the Commonwealth of Pennsylvania, and his predecessors and successors in office, be discharged as Statutory Liquidator of AIIC, and thereby released from any liability to make payment of any further claims.

TAKE FURTHER NOTICE that objections to the Final Accounting and Petition for Distribution and Discharge must be filed in writing with the Commonwealth Court of Pennsylvania, Office of the Chief Clerk, 601 Commonwealth Avenue, Suite 2100, Harrisburg, Pennsylvania 17106-9185, or with the Pennsylvania Insurance Department, Bureau of Liquidations Claims, 901 North 7th Street, Harrisburg, Pennsylvania 17102. In the event of such a filing, please refer to Docket No. 194 MD 1993.

Objections must be filed within 30 days of the date of this Notice, or they shall be forever barred. Objections must be clearly and concisely written.

Copies of this Final Accounting and Petition for Distribution and Discharge are available to interested parties for inspection at the Commonwealth Court of Pennsylvania, Office of the Chief Clerk, 601 Commonwealth Avenue, Suite 2100, Harrisburg, Pennsylvania 17106-9185; the Insurance Department, 901 North 7th Street, Harrisburg, Pennsylvania 17102; and the Philadelphia Regional Office of the Insurance Department, 801 Market Street, Room 6062, Philadelphia, PA 19107.

If you have any questions, please call the Bureau of Liquidations Claims, 901 North 7th Street, Harrisburg, Pennsylvania 17102, (717) 787-7823.



JOSEPH DIMEMMO,
Deputy Insurance Commissioner

EXHIBIT C

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Michael F. Consedine, Insurance :
Commissioner of the Commonwealth :
of Pennsylvania, :
Plaintiff :

v. :

American Integrity Insurance Company, :
Defendant :

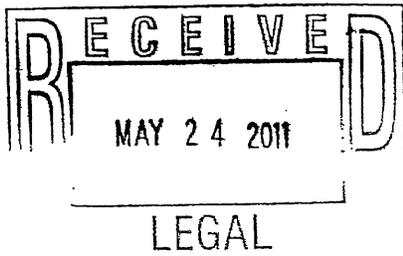
No. 194 M.D. 1993.

ORDER

Now, May 23, 2011, respondent's objection to the Liquidator's Final Accounting and Petition for Distribution and Discharge is hereby dismissed for respondent's failure to respond to the rule to show cause issued April 14, 2011.



Michael P. Krimmel
Chief Clerk



Certified from the Record
MAY 23 2011
And Order Exit

EXHIBIT D

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Michael F. Consedine, :
Insurance Commissioner of :
the Commonwealth of Pennsylvania, :
Plaintiff :

v. : No. 194 M.D. 1993

American Integrity Insurance Company, :
Defendant :

ORDER

AND NOW, this 9th day of June, 2011, upon consideration of the Liquidator's Motion to Approve Final Accounting and Petition for Distribution and Discharge, and it appearing from the record that there are no pending objections to the Liquidator's Final Accounting and Petition for Distribution and Discharge (filed October 28, 2010) (Petition), the Court **ORDERS** as follows:

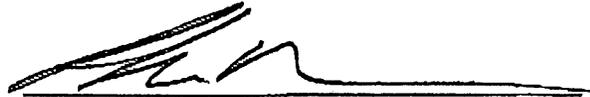
1. The Liquidator's final accounting, attached as Exhibit A to the Petition, is **APPROVED**.

2. The Liquidator's proposed distribution of assets as set forth in paragraph 6 of the Petition is **APPROVED** and the Liquidator is authorized to proceed with the distribution.

3. The request for disposition of records pursuant to Section 550 of The Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, added by the Act of December 14, 1977, P.L. 280, *as amended*, 40 P.S. § 221.50, is **DENIED without prejudice**. The Liquidator may file a more specific recommendation for disposition of records either before or after termination of this liquidation proceeding.

4. The Liquidator's request that any future, but unanticipated, assets he receives or recovers on behalf of American Integrity Insurance Company (In Liquidation) be used to satisfy any unreimbursed administrative expenses incurred by the Liquidator is **DENIED** *without prejudice*.¹ The Liquidator may file a more specific request for disposition of such assets, if they exist, to be considered in the context of an application for discharge pursuant to Section 548 of the Act, 40 P.S. § 221.48.

5. The Liquidator's request for discharge pursuant to Section 548 of the Act is **DENIED** *without prejudice*, as it is premature. Under Section 548, an application for discharge is only appropriate "[w]hen all assets justifying the expense of collection and distribution have been collected *and distributed*." (Emphasis added.)



P. KEVIN BROBSON, Judge

Certified from the Record

JUN 10 2011

And Order Exit

¹ The Court notes that in approving the Liquidator's proposed distribution of assets, administrative expenses (class (a) claims) will be paid at a rate of 100%. Thus, it is unclear what the Liquidator is referring to in his Petition as "unreimbursed administrative expenses incurred by the Liquidator."

EXHIBIT E

**EXHIBIT E TO THE LIQUIDATOR'S
APPLICATION FOR DISCHARGE AND RECOMMENDATION FOR DISPOSITION
OF RECORDS PURSUANT TO 40 P.S. §221.50**

RECOMMENDATION FOR THE DISPOSITION OF RECORDS

After American Integrity Insurance Company ("AIIC") was placed in liquidation, the Liquidator's staff compiled a file inventory that listed the records the company had maintained prior to its liquidation. That file inventory is attached hereto. These pre-liquidation records are important in the early stages of a liquidation proceeding, as they inform the Liquidator about, inter alia, the company's assets and financial arrangements, the identity of policyholders and creditors, the identity and status of claims, agent and reinsurance arrangements, and the identity and status of ongoing or contemplated litigation. These records, however, become less and less utilized as the liquidation progresses, as the Liquidator's staff creates and maintains their own records, such that the original, pre-liquidation records of the company are rarely, if ever, accessed in the final years of a liquidation proceeding. Accordingly, now that the AIIC liquidation proceeding is nearing its conclusion, the Liquidator is recommending that all the records listed on the file inventory attached hereto, be destroyed, as they no longer serve any purpose and will not be required in the future to respond to any post-discharge inquiries that may be received concerning the AIIC liquidation proceeding. For several years post-discharge, the Liquidator will retain the administrative and legal files that were created by the Liquidator's staff after the liquidation commenced in order to respond to any prospective inquiries concerning the AIIC liquidation. If and when the Liquidator believes that some of the aforementioned administrative and legal files no longer have any utility, the Liquidator will seek this Court's permission to destroy those records by filing an application at that time. Finally, the Liquidator would note that certain key records of any liquidation proceeding, such as Court orders, final executed settlement agreements, legal filings, certain significant reports and memoranda, inter alia, are maintained in perpetuity. That will be the case with the AIIC estate as well.

In keeping with the foregoing, the Liquidator seeks this Court's approval of the following recommendation for the disposition of AIIC records:

- 1) The Liquidator be authorized to destroy the pre-liquidation records listed on the file inventory attached to Exhibit E of his Application for Discharge and Recommendation for Disposition of Records Pursuant to 40 P.S. §221.50 ("Application") within 60 days of the date of any Order this Court may issue approving his Application;
- 2) The Office of Liquidations, Rehabilitations, and Special Funds of the Pennsylvania Insurance Department ("OLRS"), on behalf of the Insurance Commissioner, be directed to seek this Court's approval, by separate application, if the OLRs desires to destroy any other records of the AIIC liquidation proceeding in the future.

American Integrity File Inventory

Proof of Claim files	90
Closed policy claim files (pre-liq)	241
Pre-liq Claim Reports	1
Return Premium requests	7
Pre-liq tax records	16
Pre-liq bank statements	23
Pre-liq canceled checks	88
Pre-liq Financial files	23
Agent files	2465
Pre-liq accounting files	550
Pre-liq correspondence files by state	56
Pre-liq Payroll registers	4
Pre-liq renewal commissions	11
Pre-liq purchasing files	7
Pre-liq due diligence files	45
Pre-liq Corporate accounting files	2
Personnel records	185
Miscellaneous pre-liq admin files	67
Pre-liq administrative correspondence	15
Pre-liq compliance department files	3
Old pre-liq litigation files	13
Insurance policy files	214
Marketing files	8
	4134

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving the foregoing document upon the person(s) and in the manner indicated below.

Service by first-class mail and email, addressed as follows:

Donna J. Pankowski, District Counsel
Internal Revenue Service
Mid-Atlantic Region
1000 Liberty Avenue, Room 112
Pittsburgh, PA 15222-4003

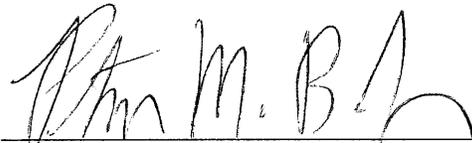
Pennsylvania Department of Revenue
ATTN: Marianne I. Rempe, Esquire
Office of Chief Counsel
Department 281061
Harrisburg, PA 17128-1061

Internal Revenue Service
Special Procedures Department
P.O. Box 12051
Philadelphia, PA 19105

Richard Sponseller, Assistant U.S. Attorney
Federal Building
Harrisburg, PA 17102

Sharon Williams, Esquire
Commercial Litigation Branch
Department of Justice, Civil Division
P.O. Box 875
Ben Franklin Station
Washington, DC 20044
(by email)

Internal Revenue Service
Taxpayer Services
600 Arch Street
Philadelphia, PA 19105



PRESTON M. BUCKMAN (I.D. #57570)
Governor's Office of General Counsel
Pennsylvania Insurance Department
Capital Associates Building
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

Counsel for Michael F. Consedine,
Pennsylvania Insurance Commissioner, in
his capacity as Statutory Liquidator of
American Integrity Insurance Company (In
Liquidation)

DATED: _____

8/3/11