

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

v. :

Docket No. 1 CIC 2014

Commonwealth Insurance Company :  
555 City Line Ave :  
Suite 620 :  
Bala Cynwyd, PA 19004, :  
Defendant. :

**ORDER OF LIQUIDATION**

AND NOW, this 30<sup>th</sup> day of MARCH, 2014, upon consideration of the Petition for Review in the Nature of a Complaint for Order of Liquidation of Commonwealth Insurance Company (“Commonwealth Ins. Co.”) filed by Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, and upon the unanimous consents of the Board of Directors of Commonwealth Ins. Co. and of the Board of Directors and Shareholders of The Pennsylvania Group Ltd., the sole shareholder of Commonwealth Ins. Co., it is hereby **ORDERED** that:

1. The Petition for Liquidation is **GRANTED**, and Commonwealth Ins. Co. is ordered to be **LIQUIDATED** pursuant to Article V of The Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, *as amended*, 40 P.S. §§ 221.1 – 221.63 (“Article V”).
2. Insurance Commissioner Michael F. Consedine and his successors in office are hereby **APPOINTED** Statutory Liquidator of Commonwealth Ins. Co. and directed to take possession of Commonwealth Ins. Co.’s property, business and affairs in accordance with Article V.

3. The Liquidator is hereby VESTED with all the powers, rights and duties authorized under Article V and other applicable statutes and regulations.

ASSETS OF THE ESTATE

4. The Liquidator is vested with title to all property, assets, contracts and rights of actions (“assets”) of Commonwealth Ins. Co. of whatever nature and wherever located, as of the date of filing of the Petition for Liquidation. All assets of Commonwealth Ins. Co. are hereby found to be *in custodia legis* of this Court and this Court asserts jurisdiction as follows: (a) *in rem* jurisdiction over all assets of Commonwealth Ins. Co. wherever they may be located and regardless of whether they are held in the name of Commonwealth Ins. Co. or in any other name; (b) exclusive jurisdiction over all determinations as to whether assets belong to Commonwealth Ins. Co. or to another party; (c) exclusive jurisdiction over all determinations of the validity and amounts of claims against Commonwealth Ins. Co.; and (d) exclusive jurisdiction over the determination of the priority of all claims against Commonwealth Ins. Co.

5. The filing or recording of this Order with the Clerk of the Commonwealth Court or with the Recorder of Deeds of the county in which Commonwealth Ins. Co.’s principal office or place of business is located (Montgomery County), shall impart the same notice as is imparted by any deed, bill of sale or other evidence of title duly filed or recorded with that Recorder of Deeds.

6. The Liquidator is directed to take possession of all assets that are the property of Commonwealth Ins. Co.

7. The Liquidator is directed to continue telephone, data-processing, water, electric, sewage, garbage, delivery, trash removal and utility services needed by the estate of Commonwealth Ins. Co. by establishing a new account for the Liquidator as of the date of this Order.

8. Commonwealth Ins. Co.'s directors, officers and employees shall: (a) surrender peaceably to the Liquidator the premises where Commonwealth Ins. Co. conducts its business; (b) deliver all keys or access codes thereto and to any safe deposit boxes; (c) advise the Liquidator of the combinations and access codes of any safe or safekeeping devices of Commonwealth Ins. Co. or any password or authorization code or access code required for access to data processing equipment; and (d) deliver and surrender peaceably to the Liquidator all the assets, books, records, files, credit cards, and other property of Commonwealth Ins. Co. in their possession or control, wherever located, and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

9. Commonwealth Ins. Co.'s directors, officers and employees are enjoined from taking any action, without the prior approval of the Liquidator, to transact further business on behalf of Commonwealth Ins. Co. They are further enjoined from taking any action that would waste the assets of Commonwealth Ins. Co. or would interfere with the Liquidator's efforts to wind up the affairs of Commonwealth Ins. Co.

10. Except as otherwise provided in this Order, executory contracts to which Commonwealth Ins. Co. is a party to as of the date of this Order may be affirmed or disavowed by the Liquidator.

11. All banks, investment bankers, companies, other entities or other persons having in their possession assets which are, or may be, the property of Commonwealth Ins. Co. shall, unless otherwise instructed by the Liquidator, deliver the possession of the same immediately to the Liquidator, and shall not disburse, convey, transfer, pledge, assign, hypothecate, encumber or in any manner dispose of the same without the prior written consent of, or unless directed in writing by, the Liquidator.

12. All persons and entities are enjoined from disposing of or destroying any records pertaining to any transactions between Commonwealth Ins. Co. and any other party.

13. The amount recoverable by the Liquidator from any reinsurer shall not be reduced as a result of this Order of Liquidation, regardless of any provision in a reinsurance contract or other agreement. Payment made directly by the reinsurer to any principal or other creditor of Commonwealth Ins. Co. shall not diminish the reinsurer's obligation to Commonwealth Ins. Co., except to the extent provided by law.

#### TERMINATION OF SURETY BONDS AND UNDERTAKINGS

14. Any Commonwealth Ins. Co. surety bond or surety undertaking still in force at the time of the Liquidation will continue only until the earlier of the following: (1) thirty (30) days after the entry of this order; (2) the expiration of the bond, undertaking or policy by its own terms; or (3) the date when the obligee or any principal replaces the surety bond, surety undertaking or policy with equivalent coverage in another reinsurer or surety, or otherwise terminates the policy.

#### PROOF OF CLAIM FILING

15. All claims against the estate of Commonwealth Ins. Co., together with proper proof thereof, shall be filed on or before Nov. 21, 2014. No person shall participate in any distribution of the assets of Commonwealth Ins. Co. unless his, her or its claim has been filed with the Liquidator in accordance with the time limit established by the Liquidator, subject to the provisions for the late filing of claims pursuant to Section 537 of Article V, 40 P.S. § 221.37.

16. No judgment or order against Commonwealth Ins. Co. or any of its principals entered after the date of filing of the Petition for Liquidation, and no judgment or order against Commonwealth Ins. Co. or any of its principals entered at any time by default, by

collusion, or otherwise will be considered as evidence of liability or quantum of damages by the Liquidator in evaluating a claim against the estate of Commonwealth Ins. Co.

17. In addition to the notice requirements of Section 524 of Article V, 40 P.S. § 221.24, the Liquidator shall publish notice in newspapers of general circulation where Commonwealth Ins. Co. has its principal places of business that: (a) specifies the last day for the filing of claims; (b) explains the procedure by which claims may be submitted to the Liquidator; (c) provides the address of the Liquidator's office for the submission of claims; and (d) notifies the public of the right to present a claim, or claims, to the Liquidator.

18. Within thirty (30) days of giving notice of the Order of Liquidation, as set forth in Section 524 of Article V, 40 P.S. § 221.24, and of the procedures for filing claims against the estate of Commonwealth Ins. Co., the Liquidator shall file a compliance report with the Court noting, in reasonable detail, the date that and manner by which these notices were given.

#### ADMINISTRATIVE EXPENSES

19. The Liquidator shall pay as costs and expenses of administration pursuant to Section 544 of Article V, 40 P.S. § 221.44, the actual, reasonable and necessary costs of preserving or recovering the assets of Commonwealth Ins. Co.

20. Distribution of the assets of Commonwealth Ins. Co. in payment of the costs and expenses of estate administration including, but not limited to, compensation for services of employees and professional consultants, such as attorneys, actuaries and accountants, shall be made under the direction and approval of the Court. This includes reimbursement to the Pennsylvania Insurance Department for expenses it has incurred in compensating professional consultants, attorneys and other persons it has engaged on behalf of Commonwealth Ins. Co. for the preservation of its assets.

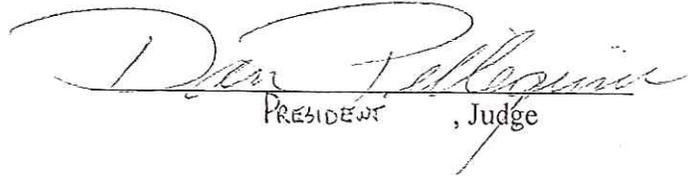
## STAY OF LITIGATION

21. Unless the Liquidator consents thereto in writing, no action at law or in equity, including, but not limited to, an arbitration or mediation, the filing of any judgment, attachment, garnishment, lien or levy of execution process against Commonwealth Ins. Co. or its assets, shall be brought against Commonwealth Ins. Co. or the Liquidator or against any of their employees, officers or liquidation officers for acts or omissions in their capacity as employees, officers or liquidation officers of Commonwealth Ins. Co. or the Liquidator, whether in this Commonwealth or elsewhere, nor shall any such existing action be maintained or further prosecuted after the effective date of this Order. All above-enumerated actions currently pending against Commonwealth Ins. Co. in the courts of the Commonwealth of Pennsylvania or elsewhere are hereby stayed; relief sought in these actions shall be pursued, as is appropriate, by filing a proof of claim against the estate of Commonwealth Ins. Co. pursuant to Section 538 of Article V, 40 P.S. § 221.38, or by applying to intervene.

22. All secured creditors or parties, pledges, lienholders, collateral holders or other persons claiming secured, priority or preferred interests in any property or assets of Commonwealth Ins. Co. are hereby enjoined from taking any steps whatsoever to transfer, sell, assign, encumber, attach, dispose of, or exercise, purported rights in or against any property or assets of Commonwealth Ins. Co. except as provided in 40 P.S. § 221.43.

23. All agents, brokers, and other persons having sold bonds issued by Commonwealth Ins. Co. shall account for and pay all unearned commissions and all premiums, collected or uncollected, for the benefit of Commonwealth Ins. Co. directly to the Liquidator within 30 days of notice of this Order. No agent, broker, reinsurance intermediary or other person shall disburse or use any monies which come into their possession and are owed to, or claimed by Commonwealth Ins. Co. for any purpose other than payment to the Liquidator.

24. Any premium finance company that has entered into a contract to finance a bond that has been issued by Commonwealth Ins. Company shall pay any and all premium owed to Commonwealth Ins. Co. to the Liquidator.

  
PRESIDENT, Judge

