

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Bedivere Insurance Company, :
In Liquidation : No. 1 BIC 2021

LIQUIDATOR'S REPORT PURSUANT TO 40 P.S. § 221.36
REGARDING THE DISTRIBUTION OF ASSETS TO GUARANTY ASSOCIATIONS

1. Bedivere Insurance Company (“Bedivere”) was placed into liquidation by the Commonwealth Court of Pennsylvania by Order dated March 11, 2021 (“Liquidation Order”), based on the unanimous consent of Bedivere’s Board of Directors and the sole shareholder of Bedivere, Trebuchet US Holdings, Inc. The Liquidation Order appointed the Insurance Commissioner and her successors as the Statutory Liquidator of Bedivere (“Liquidator”). (A copy of the Liquidation Order is attached hereto as Exhibit “A”.)

2. On March 11, 2021, the Commonwealth Court also entered an Order declaring Bedivere to be insolvent. (A copy of said Order is attached hereto as Exhibit “B”.)

3. Pursuant to Article V of the Insurance Department Act of 1921 (“Article V”) at § 221.36, the Liquidator of Bedivere is required to file with the Court an application for approval to distribute assets to guaranty associations (hereinafter referred to as “an early access distribution”) within 120 days of a final determination that the insurer is insolvent or in such condition that its further transaction of business will be hazardous to, *inter alia*, its policyholders.

4. § 221.36 also provides that the Liquidator need not make application for approval to distribute assets to guaranty associations in instances where it is reasonable to conclude that the assets of the insolvent insurer will not exceed the amounts necessary to pay, *inter alia*, the costs of liquidation.

5. Pursuant to § 221.36, the Liquidator's proposal must provide, *inter alia*, provisions for reserving amounts for the payment of expenses of liquidation; disbursement of assets marshaled to date and subsequent disbursement as assets become available; and equitable allocation of disbursements to each of the guaranty associations entitled thereto.

6. Based on currently available information, Bedivere's assets will allow the Liquidator to file an early access distribution proposal for this Court's review and consideration. However, given the size of the Bedivere estate and some of the attendant complexities related to, *inter alia*, claims development and reserving, the Liquidator believes it is in the best interests of all interested parties to wait until the information that is needed to propose a fully informed early access distribution is available before an early access distribution proposal is filed.¹

7. In accordance with paragraph 16 of the Liquidation Order, the Liquidator has advanced \$1,692,405.94 to fund the payment of certain types of claims on behalf of the guaranty associations. These advances will be treated as early access distributions in accordance with the Liquidation Order and will be accounted for in the Liquidator's early access distribution proposal.

8. Accordingly, in recognition of § 221.36, the Liquidator files this report to inform all interested parties, including the guaranty associations, that, based on currently available information, an early access distribution proposal will be filed at such time as the relevant information is available that is required to formulate an informed proposal. In the interim, the

¹For purposes of comparison, in the Reliance Insurance Company ("Reliance") liquidation proceeding, the largest property and casualty liquidation proceeding in the history of this country's insurance industry, the Liquidator did not file her first early access distribution proposal until two years after Reliance was placed in liquidation. While the Bedivere estate is not as large as Reliance was, it is nonetheless a good-sized estate with, *inter alia*, some similar complex claims issues that require time to develop and analyze before a fully informed early access distribution proposal can be filed.

Liquidator will remain in regular contact with the guaranty associations regarding various issues related to the Bedivere liquidation, including an early access distribution.

WHEREFORE, the Liquidator respectfully submits this report in recognition of 40 P.S. § 221.36, and in anticipation, based on currently available information, of filing an early access distribution proposal at such time as the relevant information is available that is required to formulate an informed proposal.

Respectfully submitted,

/s/ Preston M. Buckman

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Attorneys for Jessica K. Altman, Insurance
Commissioner of the Commonwealth of
Pennsylvania, solely in her capacity as Liquidator of
Bedivere Insurance Company, In Liquidation

Dated: July 6, 2021

EXHIBIT A

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Jessica K. Altman,	:	
Insurance Commissioner of the	:	
Commonwealth of Pennsylvania,	:	
	:	
Plaintiff	:	
	:	
v.	:	No. 1 BIC 2021
	:	
Bedivere Insurance Company,	:	
	:	
Respondent	:	

ORDER OF LIQUIDATION

AND NOW, this 11th day of March, 2021, upon consideration of the Petition for Liquidation of Bedivere Insurance Company (Bedivere) filed by Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, and upon the unanimous consent of the Board of Directors of Bedivere and the sole shareholder of Bedivere, Trebuchet US Holdings, Inc., it is hereby ORDERED that:

1. The Petition for Liquidation is GRANTED, and Bedivere is ordered to be liquidated pursuant to Article V 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. §§ 221.1 – .63 (Article V).

2. Insurance Commissioner Jessica K. Altman and her successors in office, if any, are hereby appointed Statutory Liquidator of Bedivere and directed to take possession of Bedivere's property, business and affairs in accordance with Article V and to administer them pursuant to the orders of this Court.

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 action (assets) of Bedivere of whatever nature and wherever located, whether held directly or indirectly, as of the date of filing of the Petition for Liquidation. All assets of Bedivere 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 wherever they may be located and regardless of whether they are held in the name of Bedivere or in any other name; (b) exclusive jurisdiction over all determinations as to whether assets belong to Bedivere or to another party; (c) exclusive jurisdiction over all determinations of the validity and amounts of claims against Bedivere; and (d) exclusive jurisdiction over the determination of the priority of all claims against Bedivere.

5. The Liquidator is directed to take possession of all assets that are the property of Bedivere. Specifically, the Liquidator is directed to:

a. Inform all banks, investment bankers, companies, other entities or other persons having in their possession assets which are, or may be, the property of Bedivere, unless otherwise instructed by the Liquidator, to deliver the possession of the same immediately to the Liquidator, and 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.

b. Inform all producers and other persons having sold policies of insurance issued by Bedivere to account for and pay all unearned commissions

and all premiums, collected or uncollected, for the benefit of Bedivere directly to the Liquidator within 30 days of notice of this Order and that no producer, reinsurance intermediary or any other person shall disburse or use monies which come into their possession and are owed to, or claimed by, Bedivere for any purpose other than payment to the Liquidator.

c. Inform any premium finance company that has entered into a contract to finance a policy that has been issued by Bedivere to pay any and all premium owed to Bedivere to the Liquidator.

d. Inform all attorneys employed by or retained by Bedivere or performing legal services for Bedivere as of the date of this Order that, within 30 days of notification, they must report to the Liquidator the name, company, claim number (if applicable) and status of each matter they are handling on behalf of Bedivere; the full caption, docket number and name and address of opposing counsel in each case; an accounting of any funds received from or on behalf of Bedivere for any purpose in any capacity; and further, that the Liquidator need not make payment for any unsolicited report.

e. Inform any entity that has custody or control of any data processing equipment and records (including but not limited to source documents, all types of electronically stored information, or other recorded information) relating to Bedivere to transfer custody and control of such documents, in a form readable by the Liquidator, to the Liquidator as of the date of this Order, upon request.

f. Inform any entity furnishing claims processing or data processing services to Bedivere to maintain such services and transfer any such accounts to the Liquidator as of the date of this Order, upon request.

6. Bedivere's directors, officers and employees shall: (a) surrender peaceably to the Liquidator the premises where Bedivere 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 Bedivere 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 Bedivere in their possession or control, wherever located, and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

7. Bedivere'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 Bedivere. They are further enjoined from taking any action that would waste the assets of Bedivere or would interfere with the Liquidator's efforts to wind up the affairs of Bedivere.

CONTINUATION AND CANCELLATION OF POLICIES

8. All Bedivere policies and contracts of insurance, whether issued within this Commonwealth or elsewhere, in effect on the date of this Order will continue in force for the lesser of the following: (1) 30 days from the date of this Order; (2) until the normal expiration of the policy or contract providing insurance coverage; (3) until the insured has replaced the insurance coverage with equivalent insurance with another insurer or otherwise terminated the policy; or (4) until the Liquidator has effected a transfer of the policy obligation to an assuming insurer pursuant to Section 523(8) of Article V, 40 P.S. § 221.23(8).

NOTICE AND PROCEDURE FOR FILING CLAIMS

9. No judgment or order against Bedivere or its insureds entered after the date of filing of the Petition for Liquidation, and no judgment or order against Bedivere or its insureds entered at any time by default or by collusion, will be considered as evidence of liability or of quantum of damages by the Liquidator in evaluating a claim against the estate of Bedivere.

10. 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 Bedivere has its principal places of business that:

- (a) specifies the last day for the filing of claims against the estate of Bedivere;
- (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.

11. Within 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 Bedivere, the Liquidator shall file a compliance report with the Court stating, in reasonable detail, the date on which and manner by which these notices were given.

DISTRIBUTION OF ESTATE ASSETS

12. Any and all distribution of assets pursuant to Sections 544 and 546 of Article V, 40 P.S. §§ 221.44, 221.46, including those in payment for costs and expenses of estate administration, shall be made under the direction and approval of the Court.

STAY OF LITIGATION

13. 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 Bedivere or its assets, shall be brought against Bedivere 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 Bedivere 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 Bedivere in the courts of the Commonwealth of Pennsylvania or elsewhere are hereby stayed; relief sought in these actions shall be pursued by filing a proof of claim against the estate of Bedivere pursuant to Section 538 of Article V, 40 P.S. § 221.38.

14. All secured creditors or parties, pledges, lienholders, collateral holders or other persons, claiming secured, priority or preferred interests in any property or assets of Bedivere, 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 Bedivere except as provided in Section 543 of Article V, 40 P.S. § 221.43.

15. In recognition of paragraph 10 of the Petition for Liquidation and the representation therein regarding the December 2020 order issued by the Pennsylvania Insurance Department approving the merger of The Employers' Fire Insurance Company (Employers' Fire), Lamorak Insurance Company (formerly OneBeacon American Insurance Company) (Lamorak), and Potomac Insurance

Company (Potomac) with and into Bedivere, all references herein to Bedivere shall include Employers' Fire, Lamorak, and Potomac.

WORKERS' COMPENSATION AND PERSONAL INJURY PROTECTION CLAIMS

16. The Liquidator is authorized for a period of up to 90 days from the date of this Order to advance funds from the estate of Bedivere to pay workers' compensation indemnity and personal injury protection (PIP) claims on behalf of the state guaranty associations, provided that the guaranty association enters into an agreement that such advances shall be treated as a distribution pursuant to Section 536 of Article V, 40 P.S. § 221.36. The Liquidator shall have the discretion to accept such interim assurances as she deems acceptable in lieu of a formal agreement.



P. Kevin Brobson, President Judge


EXHIBIT B

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Jessica K. Altman,	:	
Insurance Commissioner of the	:	
Commonwealth of Pennsylvania,	:	
	:	
Plaintiff	:	
	:	
v.	:	No. 1 BIC 2021
	:	
Bedivere Insurance Company,	:	
	:	
Respondent	:	

ORDER

AND NOW, this 11th day of March, 2021, upon consideration of the Petition for Declaration of Insolvency of Bedivere Insurance Company (Bedivere) filed by Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, it is ORDERED that the petition is GRANTED and Bedivere is hereby declared to be insolvent, as defined in Section 503 of Article V 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. § 221.3.



P. Kevin Brobson, President Judge

**CERTIFICATION OF COMPLIANCE
WITH PUBLIC ACCESS POLICY**

I certify that this filing complies with the provisions of the Public Access Policy of the Unified Judicial System of Pennsylvania: Case Records of the Appellate and Trial Courts that require filing confidential information and documents differently than non-confidential information and documents.

/s/ Preston M. Buckman

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Pennsylvania, solely in her capacity as Liquidator of
Bedivere Insurance Company, In Liquidation

Dated: July 6, 2021

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving the foregoing document upon all parties of record in this proceeding, in accordance with the requirements of Pa. R.A.P. 3780, in the following manner:

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Bedivere Insurance Company, In Liquidation

Dated: July 6, 2021



COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE OF GENERAL COUNSEL

July 6, 2021

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Harrisburg, PA 17120-9185

***Re: In re: Bedivere Insurance Company, in Liquidation
No. 1 BIC 2021***

Dear Mr. Krimmel:

Attached for filing please find the Liquidator's Report Pursuant to 40 P.S. § 221.36 Regarding the Distribution of Assets to Guaranty Associations with regard to the above-referenced matter.

Thank you for your assistance in this matter.

Very truly yours,

/s/ Preston M. Buckman

Preston M. Buckman
Insurance Department Counsel

PMB:drh

Enclosure