

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Villanova Insurance Company, : No. 1 VIL 2002
(In Liquidation) :

**APPLICATION FOR DISCHARGE OF THE LIQUIDATOR
AND APPROVAL OF HER RECOMMENDATION
REGARDING THE DISPOSITION OF RECORDS**

Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, as Statutory Liquidator of Villanova Insurance Company (hereinafter, "Liquidator"), by her undersigned counsel, respectfully represents that:

1. By Order of this Court dated July 28, 2003, Villanova Insurance Company (hereinafter "Villanova") was ordered liquidated, and Diane Koken, the then-Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), and her successors-in-office were appointed Liquidator and directed to take possession of Villanova's property and to liquidate its business and affairs. Jessica K. Altman is the current Commissioner, and thus is the current Liquidator of the Villanova estate.

2. On October 31, 2018, the Liquidator filed with this Court her Final Accounting, Plan for Distribution and Application for Approval of Notice ("First Application"), seeking to

make a final distribution of those assets she has collected, in accordance with 40 P.S. §221.44.

3. This Court approved the Notice of the First Application on November 20, 2018, after which the Liquidator provided notice of the First Application to specified claimants on December 3, 2018. The Liquidator received only objection to the Notice of the First Application, which was filed with the Court on January 7, 2019. That objection was withdrawn by a letter mailed January 10, 2019, and filed with the Court on January 14, 2019.

4. The Liquidator filed an Application for Approval of Final Accounting and Plan for Final Distribution ("Second Application") on January 24, 2019, seeking this Court's approval of her final accounting and plan for final distribution.

5. By Order dated February 27, 2019, this Court, *inter alia*, approved the Liquidator's Second Application and authorized the Liquidator to distribute the assets of Villanova in accordance with paragraph 15 of her First Application. The February 27, 2019 Order also directed the Liquidator to file, after completing the final distribution of assets, an application seeking discharge of the Liquidator in accordance with 40 P.S. § 221.48(a), and a Recommendation for Disposition of Records in accordance with 40 P.S. § 221.50.

6. The Second Application, as approved, included a Proposed Reserve for administrative expenses from July 1, 2018, to final wind-down of activities of \$1,885,987. The Liquidator proposed, and the Court approved, that "whatever portion of the Proposed Reserve has not been incurred as of the time of distribution be added to the funds to be distributed, after a reserve of \$.6 million for post-distribution expenses."

7. Due to lower-than anticipated expenses and higher-than anticipated investment income, after consideration of incurred expenses in excess of investment income from July 1, 2018, to the time of distribution and the \$.6 million reserve for post-distribution expenses, the Liquidator was able to add \$725,825 to the funds that were distributed.

8. On April 12, 2019, the Liquidator completed the final distribution of assets in the amount of \$37,724,495.22 to the relevant claimants. The payments were 100% of approved amounts to class (a) creditors and 64.19% to class (b) creditors, net of early access payments, state deposits, post-liquidation payments by the Liquidator and prior interim distributions. Of the amount distributed, as of June 17, 2019, all but \$513.52 has cleared. All uncleared payments will be escheated to the State Treasurer pursuant to 40 P.S. § 221. 47(a).

9. If the Liquidator's current estimates of post-distribution administrative expenses are accurate, it is estimated that there will be approximately \$150,000 in undistributed funds in the Liquidator's possession and control after all wind-down activities are completed. Because this remaining amount would not allow for any material additional distribution to Villanova's claimants, the Liquidator respectfully requests that this Court approve the use of those remaining funds for future expenses of the Liquidator.

10. Because the necessary activities for closing the estate are largely completed, the Liquidator is prepared to dispose of the estate's paper and electronic records. Therefore, in accordance with 40 P.S. § 221.50, the Liquidator presents this Court with her recommendations for the disposition of records attached as Exhibit A.

11. The final wind-up of the affairs of Villanova and its affiliate, Legion Insurance Company (In Liquidation) (“Legion”) is expected to take forty-five to seventy-five days from the date of the entry of the Order allowing for the disposition of the records. A small staff remains employed to handle the disposal of over 85,000 cubic feet of paper files and a computer system containing over 50 terabytes of data in a server network of over 300 hard drives, wind up contracts with vendors, transfer necessary data to the Pennsylvania Insurance Department, and close down its Philadelphia office. The sublease for the Philadelphia office space requires that Villanova and Legion maintain insurance coverages through the term of the lease, ending September 30, 2019.

12. Because of the Liquidator will continue to employ certain Villanova employees to handle winding-down activities through September 30, 2019, and the Liquidator’s obligation to pay the employees and payroll taxes, and maintain insurance coverages through that date, the Liquidator asks that the effective date of her discharge from her duties as Liquidator be October 1, 2019.

WHEREFORE, in accordance with paragraph three of this Court’s aforementioned February 27, 2019 Order, the Liquidator files this Application and prays your Honorable Court that:

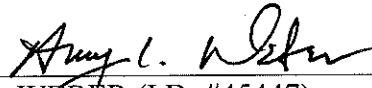
1. Pursuant to 40 P.S. § 221.50, the Liquidator is authorized to dispose of the records of Villanova in accordance with the recommendation attached to the present Application as Exhibit A, effective immediately.

2. Pursuant to 40 P.S. § 221.48 and § 221.22, Jessica K. Altman, in her official capacity as Insurance Commissioner of the Commonwealth of Pennsylvania, and her

predecessors-in-office, be discharged as Statutory Liquidator of Villanova Insurance Company (In Liquidation) and be released from any liability to make payment of any further claims, and the company dissolved effective October 1, 2019, and;

3. Pursuant to 40 P.S. § 221.48, the remaining undistributed funds in the Liquidator's possession and control after all wind-down activities are completed, estimated to be approximately \$100,000, be approved for future expenses of the Liquidator.

Respectfully submitted,



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Commissioner of the Commonwealth of
Pennsylvania, in her official capacity as Statutory
Liquidator of Villanova Insurance Company (In
Liquidation)

DATED: 6/20/19

EXHIBIT A

EXHIBIT A

**APPLICATION FOR DISCHARGE OF THE LIQUIDATOR AND APPROVAL OF HER
RECOMMENDATION REGARDING THE DISPOSITION OF RECORDS**

**RECOMMENDATION FOR THE DISPOSITION OF RECORDS IN ACCORDANCE
WITH 40 P.S. § 221.50**

The Villanova Insurance Company ("Villanova") estate currently has the following categories of records:

Pre-Liquidation files including:

- Underwriting Files
- Marketing Files
- Policy Files
- Claims Files
- Corporate Files
- Reinsurance Files, including contracts and billing records
- Accounting files including tax records
- Legal Files, including contracts, litigation and other files
- Human Resources files
- General Administrative Files
- Correspondence files, including emails and other electronic correspondence

Post-Liquidation Files including

- Closed guaranty association claims files
- Estate staff's claims files
- Reinsurance files, including contracts and billing records
- Accounting files, including tax records, vendor payables and records regarding distribution of assets to claimants
- Legal files, including litigation, arbitration and other files
- Human Resources files
- General Administrative files, including vendor contracts and Information Technology records
- Correspondence files, including emails and other electronic records
- Proofs of claim filed
- Notices of determination issued

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 lose, to a large extent, their usefulness in the final stages of a liquidation proceeding.

Post-liquidation records are important to document the collection of assets and the classification of claims against the Estate. As the liquidation of the Estate progressed, assets, primarily reinsurance recoverables and commutations, were collected, with the Court approving the larger commutation agreements. Proofs of claims against the Estate were reviewed and evaluated by Estate staff, and notices of determination were issued and ultimately approved by the Court. Once both asset collection and claim evaluation processes were completed, the Estate filed an application for approval of the Plan for Final Distribution, which the Court approved by an Order dated February 27, 2019. Now that the final distribution of funds has been completed, the vast majority of post-liquidation records of the estate lose their usefulness in the final stages of a liquidation proceeding.

Accordingly, now that the Villanova liquidation proceeding is nearing its conclusion, the Liquidator is recommending that most of the pre- and post-liquidation records 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 Villanova liquidation proceeding. This

would include the closed claims files. The Liquidator would, however, retain certain post-liquidation accounting files that contain tax records, as they could contain information that would possibly be needed to file the post-discharge final tax return with the IRS.

The Liquidator is also recommending that only those post-liquidation files be retained as relate to the filing of the final tax return and potential post-discharge inquiries, such as vendor contracts and records with respect to the distributions made to claimants. The Liquidator respectfully requests that this Court grant her the discretion to destroy all other post-liquidation records that the Liquidator determines not to be necessary to respond to any future inquiries concerning the Villanova liquidation, or for any other purpose.

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 Villanova estate as well.

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

1. The Liquidator be authorized to destroy the pre-liquidation and post-liquidation records, including closed claims files, with the exception of the post-liquidation accounting files that contain tax records necessary for filing the final tax returns.
2. That the Liquidator be granted the discretion to prospectively destroy records that she believes no longer need to be retained for any post discharge purpose.

5. I verify that the matters stated therein are true and correct to the best of my knowledge, information and belief, and make these statements subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.


ROBERT E. HABERLE

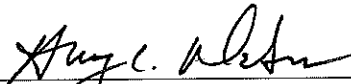
Sworn to and subscribed before me
this 17th day of June, 2019.


NOTARY PUBLIC

Commonwealth of Pennsylvania - Notary Seal
ANDREW S WALSH - Notary Public
Chester County
My Commission Expires Sep 25, 2022
Commission Number 1338539

**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.



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