

## ALERTS

### Insurance Recovery & Counseling Alert - Reliance Insurance Co. Liquidation Claims: Recent Offers To Convert Claims To Cash

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Reliance Insurance Company was placed in liquidation on Oct. 3, 2001 by Order of the Commonwealth Court of Pennsylvania. The Reliance liquidation was, and still is, one of the largest insurance company liquidations in U.S. history. Reliance has been in the process of marshaling assets and paying its liabilities for the past 12 years through a court-appointed Liquidator, namely the Insurance Commissioner of Pennsylvania. Many insurance liquidations take decades to resolve (such as Ambassador, Midland, Home, and others), and it is probable that Reliance will take at least 20 years to run-off all of its liabilities and pay the various classes of claimants until the assets are exhausted.

Policyholder claims are considered Class (b) claims, which are the second highest priority claims that can be made against the Reliance estate. Class (a) claims (the highest priority) include such expenses as those incurred managing the liquidation, taxes, and reimbursement of certain state Guaranty Association expenses for claims paid on behalf of Reliance. Class (b) claims of approximately \$7.4 billion make up by far the largest portion of Reliance's known liabilities of \$8.8 billion. Total assets reported as of June 30, 2013 are \$5.5 billion.

The Reliance estate has had several recent positive developments, including the sale of an IT subsidiary for \$60.3 million, release of numerous annuity-type settlement liabilities involving contracts with Swiss Re, Genworth, Westport, and GE Reinsurance, among others. As a result, many of our clients who have pending Notices of Determination (NODs) with the Reliance estate have recently received requests for purchase of their NODs from numerous private equity and other funds who specialize in the purchase and sale of these types of contingent assets.

Companies with pending Reliance claims should carefully consider the pros and cons—and the timing—of any proposed sale of such insurance assets to one of these buyer entities. For example, many purport to offer “non-recourse” sales, but the purchase documents eventually provided often do not reflect a true non-recourse transaction.

If you have questions about this Alert, you may contact the Barnes & Thornburg attorney with whom you work or Jim Leonard, a partner in the firm's Policyholder Insurance Recovery and Counseling group, at [jim.leonard@btlaw.com](mailto:jim.leonard@btlaw.com) or (404) 264-4060.

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