



**INTERNATIONAL ASSOCIATION
OF INSURANCE RECEIVERS**
PROMOTING PROFESSIONALISM AND ETHICS

IAIR TECHNICAL DEVELOPMENT SERIES VI

The End of the Road: Issues in Closing Receiverships

HANDLING UNLIQUIDATED ASSETS AT CLOSING

Statutory Authority

Tex. Ins. Code art. 21.28 §8A

- Non-cash assets may be assigned to Commissioner at closing
- Commissioner may settle claims / liquidate assets
- Hearing on disposition of funds from assigned assets:
 - Receivership is reopened if there are sufficient funds, or
 - Court declares that funds are abandoned
- Abandoned funds can be used to:
 - (1) pay expenses of the Receiver's office that are not chargeable to a receivership
 - (2) finance the continued operation of a receivership (e.g., a no asset estate)

Insurer Receivership Act

Tex. Ins. Code §443.154 - Powers of Liquidator

Authority to transfer, abandon, or dispose of property.

Tex. Ins. Code §443.352 - Termination of Liquidation

In closing order, the court may make orders to transfer funds that are uneconomic to distribute, or assign assets.

Tex. Ins. Code §443.304 - Unclaimed and Withheld Funds

The Commissioner may establish an account to:

- Pay general expenses related to the administration of receiverships; and
- Advance funds to any receivership that does not have sufficient cash to pay operating expenses.

International Underwriters Insurance Company Underwriters Lloyds Insurance Company

International Underwriters Insurance Company (IUIC)

Delaware insurer, owned and reinsured -

Underwriters Lloyds Insurance Company (ULIC)

Texas insurer

- IUIC and ULIC were placed in receivership in Delaware and Texas in 1993
- Each estate had approved general creditor POCs in the other estate
- ULIC receivership was closed in 1999, with a partial distribution on policy claims
- ULIC's POC in IUIC was assigned to the Texas Commissioner upon closing

Part II

In 2014, IUIC had a distribution on general creditor POCs. A distribution to ULIC would allow:

- **Full payment of policyholder POCs**
- **Partial payment of general creditor POCs**

IUIC's POC in ULIC was 99% of all general creditor claims

After a ULIC distribution on policy claims, most of the funds would be repaid to IUIC.

Under a settlement, IUIC paid:

- **100% of ULIC policy claims**
- **100% of ULIC general creditor claims of other claimants**
- **An amount to pay the cost of reopening the receivership**

All other claims under the POCs were released.

Employers of Texas Lloyds (ETL) Employers National Insurance Company (ENIC)

ETL & ENIC were subsidiaries of Employers Casualty Company (ECC), and reinsured by ECC. The companies were placed in separate receiverships in 1994.

- **ETL & ENIC filed POCs in ECC for reinsurance due.**
- **ETL was closed in 2001; ENIC was closed in 2005.**
- **ETL & ENIC's POCs were assigned to the Commissioner upon closing.**

ECC made a distribution on general creditor POCs in 2009. Distributions to ETL & ENIC were made to the Commissioner.

ETL & ENIC were reopened under the Insurer Receivership Act. The ECC distributions allowed ETL and ENIC to pay all 100 % on all classes of claims, plus interest.

Post Closing Considerations

- **Tracking assets assigned at closing**
- **Notification of assignments**
- **Renewal of judgments**
- **Identifying unclaimed funds due estate**
- **Retaining records needed for reopening**
- **Authority to establish account for abandoned funds**