

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF)
THE LIQUIDATION OF SECURITY PACIFIC) C.A. No. 6317-VCP
INSURANCE COMPANY, INC.; SPI-202, INC.;)
SPI-203, INC.; AND SPI-204, INC.)

**RECEIVER'S VERIFIED PETITION FOR THE ESTABLISHMENT
OF BAR DATES FOR THE FILING OF ANY AND ALL CLAIMS
AGAINST SECURITY PACIFIC INSURANCE COMPANY, INC. IN
LIQUIDATION, SPI-202, INC. IN LIQUIDATION, SPI-203,
INC. IN LIQUIDATION, AND SPI-204, INC. IN LIQUIDATION**

Petitioner is the Honorable Karen Weldin Stewart, CIR-ML, Insurance Commissioner of the State of Delaware ("Commissioner"), in her capacities as the Receiver of Security Pacific Insurance Company, Inc. in Liquidation ("SPIC Receiver"), as the Receiver of SPI-202, Inc. ("SPI-202 Receiver"), as the Receiver of SPI-203, Inc. ("SPI-203 Receiver"), and as the Receiver of SPI-204, Inc. ("SPI-204 Receiver").¹ Where the relief sought refers to all of the above four receiverships, the collective term "Receiver" is used herein to refer to the Commissioner collectively in her roles as the SPIC Receiver, the SPI-202 Receiver, the SPI-203 Receiver, and the SPI-204 Receiver.

¹ The receivership proceedings for SPIC, SPI-202, SPI-203, and SPI-204 have been consolidated for administrative purposes in Case No. 6317-VCP.

RELIEF SOUGHT

The Receiver, acting by and through the undersigned counsel, and pursuant to the provisions of 18 *Del. C.* ch. 59 and ch. 69, and specifically 18 *Del. C.* §5929(b), respectfully petitions this Honorable Court for entry of an Order setting a bar date of May 31, 2012, for the submission of any and all claims against the estates of Security Pacific Insurance Company, Inc. in Liquidation ("SPIC"), SPI-202, Inc. in Liquidation ("SPI-202"), SPI-203, Inc. in Liquidation ("SPI-203"), and SPI-204, Inc. in Liquidation ("SPI-204"). The companies may be referred to herein collectively as the "SPI-Companies."

In support of this Petition, the Commissioner avers the following:

BACKGROUND OF THE RECEIVERSHIPS

SPIC and its three corporate subsidiaries, SPI-202, SPI-203, and SPI-204, were incorporated in the State of Delaware and were licensed as Delaware domestic special purpose captive insurance companies on December 31, 2007. As Delaware domiciled captive insurance companies, all four companies were subject to regulation by the Delaware Insurance Department.

Based upon information obtained from the Captive Manager of the SPI Companies indicating that significant assets of the SPI Companies were missing, on March 28, 2011, the Commissioner filed her ex parte *Verified Petition for Entry of Confidential Seizure and Injunction Order* (LexisNexis File and Serve Transaction ID. No. 36703699).² The Honorable William B. Chandler, III, Chancellor, issued a *Confidential Seizure and Injunction Order* concerning SPIC, SPI-202, SPI-203, and SPI-204, on March 25, 2011 ("*Seizure Order*," filed under seal at LN No. 36703699).

As a result of the Commissioner's investigation, the Commissioner confirmed that significant assets of the SPI Companies were missing. After the management of the SPI Companies failed to cooperate with the investigation, on April 19, 2011, the Commissioner filed her *Verified Petition for Entry of Liquidation and Injunction Order* ("*Liquidation Petition*," LN No. 37134094). Pursuant to the *Order to Show Cause Concerning Insurance Commissioner's Verified Petition for Entry of Liquidation and Injunction Order*, dated

² Hereafter, the LexisNexis File and Serve Transaction ID. No. shall be referred to as "LN No. _____."

May 24, 2011, LN No. 37757092, and after providing notice and an opportunity to be heard to the management of the SPI Companies, a hearing was held on the *Liquidation Petition* on June 15, 2011. The former management of the companies failed to respond to the Liquidation Petition and did not appear at the hearing. On June 15, 2011, The Honorable Donald Parsons, Jr., Vice Chancellor, entered the *Liquidation and Injunction Order* concerning SPIC, SPI-202, SPI-203, and SPI-204 ("*Liquidation Order*," LN No. 38160523).

STATUTORY PROVISIONS CONCERNING BAR DATES

Delaware insurance company receiverships are governed generally by *18 Del. C. ch. 59*. That Chapter provides the process for the establishment of bar dates in a receivership at *18 Del. C. §5929(b)* as follows:

§ 5929. Order of insolvency; time to file claims.

* * *

(b) After the entry of the order of insolvency, regardless of any prior notice that may have been given to creditors, the Commissioner shall notify all persons who may have claims against the insurer to file such claims with the Commissioner, at a place and within the time specified in the notice, or such claims shall be forever barred. The time specified in the notice shall be as fixed by the court for filing of claims and which shall be not less than 6 months after the entry

of the order of insolvency. The notice shall be given in such manner and for such reasonable period of time as may be ordered by the court.

The Liquidation Order was entered on June 15, 2011. LN No. 38160523. More than six months has passed since the entry of the Liquidation Order. As a result, the only remaining considerations under *18 Del. C. §5929(b)* for the Court to establish a bar date for these four receiverships would be whether the manner and time period for notice of the bar dates is reasonable.

PROPOSED BAR DATE OF MAY 31, 2012

The Receiver respectfully submits that a bar date of May 31, 2012, is reasonable under the circumstances as SPIC had no policyholders of its own and SPI-202, SPI-203, and SPI-204 were established to have only one policyholder each. While there is some indication that some of the policies might have had additional insureds, a bar date of May 31, 2012, would give the policyholder claimants and other interested parties over 90 days to identify their claims and file sworn proofs of claim with the Receiver. The Receiver has already mailed notice of the entry of the Liquidation Order to hundreds of potential claimants or other interested parties.

MANNER OF PROPOSED NOTICE OF BAR DATE

The Receiver has identified several hundred potential interested parties. Therefore, the Receiver proposes to send actual notice of the Bar Date and the requirement to file a proof of claim form, along with information concerning how to obtain the proof of claim form and instructions, on a postcard in the form appended hereto as Exhibit 1. The proof of claim form and instructions, as well as this Petition and the Court's Order setting the bar date, will be posted on the Delaware Department of Insurance web site at the address indicated on the postcard. The Receiver's address is also listed on the postcard for interested parties without internet access to obtain information or the proof of claim form and instructions. The Receiver proposes to mail the postcards within fifteen (15) calendar days of docketing of the Court's Order setting the Bar Date.

The Receiver is also proposing to publish a legal notice one time in the Wilmington, Delaware News Journal, substantially in the form appended hereto as Exhibit 2. As all four of the companies were incorporated in Delaware and their captive manager was located in Wilmington, Delaware,

the legal notice will put other, unknown interested parties on notice of the bar date requirement. The Receiver proposes to publish the legal notice within thirty (30) calendar days after entry of the Court's Order setting the Bar Date.

RECOMMENDATION REPORTS TO THE COURT

The statute further provides the following concerning the form and disposition of claims:

§ 5917. Form of claim; notice; hearing.

(a) All claims against an insurer against which delinquency proceedings have been begun shall set forth in reasonable detail the amount of the claim or the basis upon which such amount can be ascertained, the facts upon which the claim is based and the priorities asserted, if any. All such claims shall be verified by the affidavit of the claimant or someone authorized to act on the claimant's behalf and having knowledge of the facts and shall be supported by such documents as may be material thereto.

(b) All claims filed in this State shall be filed with the receiver, whether domiciliary or ancillary, in this State on or before the last date for filing as specified in this chapter.

(c) Within 10 days of the receipt of any claim or within such further period as the court may fix for good cause shown, the receiver shall report the claim to the court, specifying in such report the receiver's recommendation with respect to the action to be taken thereon. Upon receipt of such report, the court shall fix a time for hearing the claim and shall direct that the claimant or the receiver, as the court shall specify, shall give such notice as the court shall determine to such persons as shall appear to the court to be interested therein. All such notices shall specify the time and place of the hearing and shall concisely state the amount and nature of the claim, the priorities asserted, if any, and the recommendation of the receiver with reference thereto.

(d) At the hearing, all persons interested shall be entitled to appear and the court shall enter an order allowing, allowing in part, or disallowing the claim. Any such order shall be deemed to be an appealable order.

In light of the potential fraudulent conduct involving the former management of these insurers and the potential for a large number of small value claims, the Receiver submits that the ten days referenced in 18 *Del. C.* §5917(c) for the Receiver to report the claims to the Court would be inappropriate. Therefore, the Receiver's proposal would require the Receiver to submit claim Recommendation Reports

to the Court within a reasonable time after the Receiver's investigation concerning all claims submitted by a particular claim was completed.

A proposed form of Order setting the Bar Date has been filed contemporaneously with this Petition.

CONCLUSION

WHEREFORE, the Honorable Karen Weldin Stewart, CIR-ML, Insurance Commissioner of the State of Delaware, in her capacity as the SPIC Receiver, the SPI-202 Receiver, the SPI-203 Receiver, and the SPI-204 Receiver respectfully requests that this Honorable Court enter an Order substantially in the form filed contemporaneously with this Petition establishing a Bar Date of May 31, 2012, in the receiverships of SPIC, SPI-202, SPI-203, and SPI-204, approve the manner and form of notice proposed by the Receiver, and grant such other relief as the Court deems just.

Respectfully submitted,

/s/ Diane J. Bartels

Diane J. Bartels
Del. Bar No. 2530
Brandywine Village
1807 North Market Street
Wilmington, DE 19802
Tel. 302-656-7207

Attorney for The Honorable
Karen Weldin Stewart, CIR-ML,
Insurance Commissioner of
the State of Delaware, in her
capacities as
the SPIC Receiver,
the SPI-202 Receiver,
the SPI-203 Receiver, and
the SPI-204 Receiver

Dated: February 23, 2012

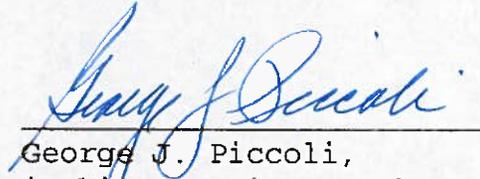
IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF)
THE LIQUIDATION OF SECURITY PACIFIC) C.A. No. 6317-VCP
INSURANCE COMPANY, INC.; SPI-202, INC.;)
SPI-203, INC.; AND SPI-204, INC.)

**VERIFICATION OF GEORGE J. PICCOLI,
IN HIS CAPACITY AS THE DEPUTY RECEIVER OF
SECURITY PACIFIC INSURANCE COMPANY, INC. IN
LIQUIDATION, SPI-202, INC. IN LIQUIDATION, SPI-203,
INC. IN LIQUIDATION, AND SPI-204, INC. IN LIQUIDATION**

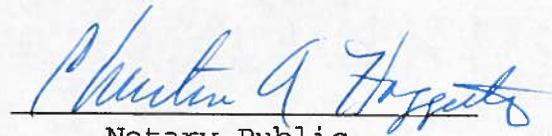
I, George J. Piccoli, in my capacity as Deputy Receiver of Security Pacific Insurance Company, Inc. in Liquidation ("SPIC"), SPI-202, Inc. in Liquidation ("SPI-202"), SPI-203, Inc. in Liquidation ("SPI-203"), and SPI-204, Inc. in Liquidation ("SPI-204"), having read the attached *Receiver's Verified Petition for the Establishment of Bar Dates for the Filing of Any and All Claims Against Security Pacific Insurance Company, Inc. in Liquidation, SPI-202, Inc. in Liquidation, SPI-203, Inc. in Liquidation, and SPI-204, Inc. in Liquidation* in the above-captioned matter, hereby verify

that the factual statements set forth therein are true and correct to the best of my knowledge, information and belief.



George J. Piccoli,
in his capacity as the
Deputy Receiver of
SPIC, SPI-202, SPI-203
and SPI-204

SWORN TO AND SUBSCRIBED before me this 23rd day of
February, 2012.



Notary Public

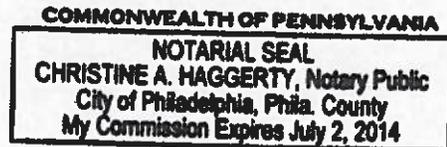


EXHIBIT 1

SECURITY PACIFIC INSURANCE COMPANY, INC. IN LIQUIDATION;
SPI-202, INC. IN LIQ.; SPI-203, INC. IN LIQ.; SPI-204, INC. IN LIQ.

IMPORTANT: NOTICE OF CLAIM FILING DEADLINE

The Court of Chancery of the State of Delaware ("Court") ordered Security Pacific Insurance Company, Inc. and its subsidiaries, SPI-202, Inc., SPI-203, Inc., and SPI-204, Inc. (collectively, "SPI Companies") into liquidation on June 15, 2011. On _____, the Court issued an Order setting May 31, 2012, as the date by which any and all claims against the SPI Companies must be filed or such claimant will forever be barred from pursuing the claim(s) against the SPI Companies.

You have been identified as someone who may have a claim against one or more SPI Company in the liquidation proceedings. You can obtain information about the liquidation and how to file a sworn proof of claim with supporting documentation at the website: www.delawareinsurance.gov/departments/bergrelab_bureau.shtml and select an SPI Company link to view the proof of claim form, instructions and other documents. You may request a proof of claim form and instructions by mail from the liquidator at: SPI Companies, 704 King Street, Suite 602, Wilmington, Delaware 19801. Additional information about the status of the liquidation will be posted on the website on an ongoing basis. If you have a claim to pursue against one or more of the SPI Companies, you must file a completed proof of claim form so that it is RECEIVED by the liquidator on or before the Bar Date of May 31, 2012.

EXHIBIT 2

FOR PUBLICATION IN LEGAL NOTICES IN
NEW JOURNAL, IN WILMINGTON, DE
ONE TIME WITHIN 30 DAYS AFTER ENTRY OF BAR DATE ORDER:

**IMPORTANT:
NOTICE OF CLAIM
FILING DEADLINE**

The Court of Chancery of the State of Delaware ordered **Security Pacific Insurance Company, Inc., SPI-202, Inc., SPI-203, Inc., and SPI-204, Inc.** ("SPI Companies") liquidated on June 15, 2011. The Court set **May 31, 2012**, as the date by which any and all claims against the SPI Companies must be filed or such claimant will forever be barred from pursuing the claim(s) against the SPI Companies. For information: *www.delawareinsurance.gov/departments/berg/rehab_bureau.shtml* and select an SPI Company link; or: SPI Companies, 704 King St, Ste 602, Wilmington, DE 19801. If you have a claim to pursue against an SPI Company, you must file a completed proof of claim form so that it is RECEIVED by the liquidator on or before the Bar Date of **May 31, 2012**.

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF)
THE LIQUIDATION OF SECURITY PACIFIC) C.A. No. 6317-VCP
INSURANCE COMPANY, INC.; SPI-202, INC.;)
SPI-203, INC.; AND SPI-204, INC.)

ORDER SETTING BAR DATES FOR THE FILING OF ANY AND ALL CLAIMS AGAINST SECURITY PACIFIC INSURANCE COMPANY, INC. IN LIQUIDATION, SPI-202, INC. IN LIQUIDATION, SPI-203, INC. IN LIQUIDATION, AND SPI-204, INC. IN LIQUIDATION

WHEREAS, the Honorable Karen Weldin Stewart, CIR-ML, Insurance Commissioner of the State of Delaware, in her capacities as the Receiver (the "Receiver") of SECURITY PACIFIC INSURANCE COMPANY, INC., a Delaware domestic special purpose captive insurance company (hereinafter "SPIC"); SPI-202, INC., a Delaware domestic special purpose captive insurance company (hereinafter "SPI-202"); SPI-203, INC., a Delaware domestic special purpose captive insurance company (hereinafter "SPI-203"); and SPI-204, INC., a Delaware domestic special purpose captive insurance company (hereinafter "SPI-204"), has filed a petition seeking the establishment of a Bar Date of May 31, 2012 (the "Bar Date"), pursuant to 18 *Del. C.* §5901, et seq., and in particular §5929(b), by which any and all claims against one or more of SPIC, SPI-202, SPI-203, and SPI-204 must be filed with the Receiver or forever be barred from participating in distributions in Classes III through VI in the estates of SPIC, SPI-202, SPI-203, and/or SPI-204;

WHEREAS, this Court is authorized pursuant to 18 *Del. C.* §5929(b) to issue an Order setting a bar date if more than six months have passed since entry of the order of insolvency and if such bar date Order provides a reasonable time and manner of notice to all policyholders, creditors and other interested parties; and

WHEREAS, it appears that sufficient grounds for the issuance of this Bar Date Order exist pursuant to 18 *Del. C.* §5929(b);

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED and DECREED:

1. **ANY AND ALL CLAIMS NOT FILED WITH THE RECEIVER ON OR BEFORE THE CLOSE OF BUSINESS ON THURSDAY, MAY 31, 2012 (THE "BAR DATE") SHALL BE BARRED FROM CLASSES III THROUGH VI AS THOSE CLASSES ARE DEFINED IN 18 DEL. C. §§5918(e)(3) THROUGH (e)(6) AND SHALL NOT RECEIVE ANY DISTRIBUTIONS FROM THE GENERAL ASSETS OF THE ESTATES OF SPIC, SPI-202, SPI-203, AND/OR SPI-204 UNLESS AND UNTIL ASSETS BECOME AVAILABLE FOR A DISTRIBUTION TO CLASS VII CLAIMANTS AS DEFINED IN 18 DEL. C. §5918(e)(7). THIS BAR DATE SHALL SUPERSEDE ANY APPLICABLE STATUTES OF LIMITATIONS OR OTHER STATUTORY OR CONTRACTUAL TIME LIMITS WHICH HAVE NOT YET EXPIRED WHETHER ARISING UNDER DELAWARE LAW, UNDER THE APPLICABLE LAWS OF ANY OTHER**

JURISDICTION, OR UNDER A CONTRACT WITH SPIC, SPI-202, SPI-203, AND/OR SPI-204. ALL CLAIMANTS SHALL IDENTIFY ON A PROOF OF CLAIM FORM SUPPLIED BY THE RECEIVER WHETHER THE CLAIM IS BEING MADE AGAINST SPIC, SPI-202, SPI-203, AND/OR SPI-204, AND SHALL ATTACH TO SUCH PROOF OF CLAIM DOCUMENTATION SUFFICIENT TO SUPPORT SUCH CLAIM.

2. Within fifteen (15) calendar days after docketing of this Order, or as soon as possible after an interested party or potential creditor subsequently becomes known to the Receiver, the Receiver shall serve notice in the form of a postcard, substantially in the form of Exhibit 1 to the Receiver's Petition, of the Bar Date and the proof of claim filing requirements on all interested parties, all known potential creditors, all current and former members and stockholders of SPIC, SPI-202, SPI-203, and SPI-204, all Board members of the company, their captive manager, their brokers, their agents, their reinsurer(s), and any reinsurance intermediaries, all other known vendors, and all State Insurance Commissioners. The postcard shall be mailed by United States first class mail, postage prepaid, provided that in the Receiver's discretion, such notice may be mailed instead by United States first class certified mail, return receipt requested, or by bulk certified mail with proof of mailing on United States Postal Form 3606, to such interested party or potential creditor's last known address in the company's files.

3. Within thirty (30) calendar days after docketing of this Order, the Receiver shall also publish a legal notice, substantially in the form of legal notice attached as Exhibit 2 to the Petition, concerning the Bar Date and proof of claim requirements one time in the *News Journal* in Wilmington, Delaware.

4. Within fifteen (15) calendar days after docketing of this order, the Receiver shall also publish the Petition, this Order, the proof of claim form, and the instructions to the proof of claim form on the Delaware Department of Insurance website at the link referenced in the sample postcard on Exhibit 1 to the Petition.

5. The Receiver shall submit claim Recommendation Reports to the Court within a reasonable time after the Receiver's investigation concerning all claims submitted by a particular claimant has been completed.

6. This Order shall be effective until further order of this Court.

7. This Court shall retain jurisdiction in this cause for the purpose of granting such other and further relief as this cause, the interests of the policyholders, creditors, and stockholders of SPIC, SPI-202, SPI-203, and SPI-204, and the public may require. The Commissioner, or

any interested party upon notice to the Commissioner, may at any time make application for such other and further relief as either sees fit.

SO ORDERED this _____ day of _____, 2012.

Vice Chancellor

DIANE J. BARTELS, ESQUIRE
BRANDYWINE VILLAGE
1807 NORTH MARKET STREET
WILMINGTON, DELAWARE
19802-4810

TELEPHONE: 302-656-7207

FACSIMILE: 302-656-7208

February 23, 2012

The Honorable Donald F. Parsons, Jr.
Court of Chancery of the State of Delaware
500 North King Street, Suite 11400
Wilmington, Delaware 19801

By Hand

Re: In the Matter of the Liquidation of
Security Pacific Insurance Company, Inc.,
SPI-202, Inc., SPI-203, Inc., and SPI-204, Inc.
C.A. No. 6317-VCP

Dear Vice Chancellor Parsons:

Enclosed please find courtesy copies of the *Receiver's Verified Petition for the Establishment of Bar Dates for the Filing of Any and All Claims Against Security Pacific Insurance Company, Inc. in Liquidation, SPI-202, Inc. in Liquidation, SPI-203, Inc. in Liquidation, and SPI-204, Inc. in Liquidation*, with Exhibits and proposed Order, filed February 23, 2012, in the above-referenced matter. The Deputy Receiver and the undersigned are available if Your Honor has any questions in this regard.

Respectfully submitted,

/s/ Diane J. Bartels
Diane J. Bartels
Del. Bar No. 2530

DJB/db

Enclosures

cc: Christopher P. Simon, Esquire (By EFile)
Amy Evans (By EFile)
John O'Bryan, Esquire (By First Class Mail & Email)

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF)
THE LIQUIDATION OF SECURITY PACIFIC) C.A. No. 6317-VCP
INSURANCE COMPANY, INC.; SPI-202, INC.;)
SPI-203, INC.; AND SPI-204, INC.)

CERTIFICATE OF SERVICE

I, Diane J. Bartels, Esquire, hereby certify that on the 23rd day of February, 2012, I caused a true and correct copy of the foregoing *Receiver's Verified Petition for the Establishment of Bar Dates for the Filing of Any and All Claims Against Security Pacific Insurance Company, Inc. in Liquidation, SPI-202, Inc. in Liquidation, SPI-203, Inc. in Liquidation, and SPI-204, Inc. in Liquidation, with Exhibits and form of Order*, to be filed and served on the following counsel and/or parties in the following manner:

Electronic Service through
LexisNexis File & Serve
Christopher P. Simon, Esq.
Amy Evans, Esq.
Cross & Simon, LLC
913 N. Market St., 11th Fl.
P.O. Box 1380
Wilmington, DE 19899-1380

By First Class Mail
and Email
John O'Bryan, Esq.
Freeborn & Peters LLP
311 S. Wacker Dr., Ste. 3000
Chicago, IL 60606

/s/ Diane J. Bartels

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Telephone (302) 656-7207
Attorney for the Receiver

Dated: February 23, 2012