



GRANTED

EFiled: May 18 2010 2:11PM EDT
Transaction ID 31170818
Case No. 12892-VCP



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF)
THE LIQUIDATION OF)
INTERNATIONAL UNDERWRITERS) C.A. No. 12892 - VCP
INSURANCE COMPANY)

**ORDER CONCERNING
RECEIVER’S SECOND CLAIM RECOMMENDATION REPORT
AND PETITION FOR APPROVAL OF PLAN FOR FINAL
DISTRIBUTION TO CLASS II AND CLASS III UNDISPUTED
CLAIMS, AND RESERVE FOR CLASS III DISPUTED CLAIMS**

WHEREAS, pursuant to 18 DEL. C. §§5902, 5917, and 5918, the Receiver of International Underwriters Insurance Company in Liquidation (herein “Receiver”) filed the “Receiver’s Second Claim Recommendation Report and Petition for Approval of Plan for Final Distribution to Class II and Class III Undisputed Claims, and Reserve for Class III Disputed Claims” (the “Recommendation Report and Petition”);

WHEREAS, this Court entered an Order to Show Cause dated March 22, 2010, which set Tuesday, May 18, 2010 at 2:00 p.m. as the date and time for the hearing on the Recommendation Report and Petition. The Order to Show Cause further required each claimant to notify the Court in writing of their objections and their intent to appear at the hearing by Monday, May 10, 2010, or any objection would be considered abandoned and the Receiver’s recommendation would be adopted by the Court;

WHEREAS, the Receiver has filed proof that each of the claimants received due notice at their last known address of the hearing date and the requirement to notify the Court of their intent to appear by the May 10, 2010 deadline; and

WHEREAS, none of the claimants notified the Court in writing of their intent to appear at the hearing, and none of the claimants appeared at the hearing, or the claimants appeared at the hearing and, after having heard from the Claimant, this Court overruled the basis for their objection to the Receiver's recommendation.

NOW, THEREFORE, the Court finds that all of the claimants have either abandoned their appeals by failing to appear at the hearing or have not provided a sufficient basis for the Court to reject the Receiver's recommendation as to the classification and/or value to be assigned to their claim;

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Receiver's Claim Recommendation Report and Petition is hereby GRANTED as set forth in further detail herein.

CLAIM RECOMMENDATION FOR CLASS II CLAIMS

2. The Class II claims of the three affected state property and casualty insurance guaranty associations shall be allowed in the amounts set forth in Column 6 in Section A of Exhibit 1 for each association listed on Column 2 in Section A of Exhibit 1 to the Recommendation Report and Petition (\$818,441.00 for the Delaware Insurance Guaranty Association; \$2,626.00 for the Property & Casualty Insurance Guaranty Corporation in Maryland; and \$590,494.00 for the Texas Property and Casualty Insurance Guaranty Association) as Class II claims pursuant to 18 DEL. C. §5918(e)(2), prior to taking into consideration early access distributions received by these claimants on these claims.

CLAIM RECOMMENDATION FOR UNDISPUTED CLASS III CLAIMS

3. The Class III claims of the claimants listed in Column 2 of Section B of Exhibit 1 to the Recommendation Report and Petition shall be allowed in the amount set forth for each such claimant in Column 6 of Section B of Exhibit 1 to the Recommendation Report and Petition as Class III claims pursuant to 18 DEL. C. §5918(e)(3). The allowed amounts for the state property and casualty guaranty associations do not take into account the early access distributions to those guaranty association claimants. The owners of Proof of Claim numbers 241 (Glory-Le Trucking), 666 (Daniel O. Hickerson), 761 (Robert Wempa), 1259 (Mayela Cummings), 1265 (Willie Irvin), 1599 (Mark Jeter), and 1629 (Jerry Gregurek) shall be the claimant listed in Column 2 of Section B of Exhibit 1 to the Recommendation Report and Petition for each such claim and Prompt Finance, Inc. shall have no claim to ownership of any portion of such claims.

4. Upon entry of this Order, the claimants for all claims in Section B of Exhibit 1 to the Recommendation Report and Petition which are valued at \$0 pursuant to the Recommendation Report and Petition shall be deemed to have released the IUIIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of these receivership proceedings, shall have no further interest in these proceedings, and shall not receive subsequent communications from the Court or the IUIIC estate or Receiver.

CLASS III CLAIMS OF JOHANNA CANALES/MICHAEL NEVALA

5. Nothing in this Order shall be deemed to be an action concerning the priority classification or value to be assigned to Proof of Claim number 1217.01 (claim of Ms. Johnna Canales and/or her bankruptcy estate) or to Proof of Claim number 1217.02 (claim of Mr. Michael Nevala). The adjudication of the Receiver's recommendation concerning these two claims shall be the subject of a future stipulation by the parties and/or a subsequent petition filed by the Receiver.

CLAIM RECOMMENDATION FOR CLASS VI CLAIMS

6. With the exception of Proof of Claim number 728 (Javier and Tina de los Santos), the Class VI claims of the claimants listed in Column 2 of Section D of Exhibit 1 to the Recommendation Report and Petition shall be allowed in the amount set forth for each such claimant in Column 6 of Section D of Exhibit 1 to the Recommendation Report and Petition as Class VI claims pursuant to 18 DEL. C. §5918(e)(6). The claim of Javier and Tina de los Santos (Proof of Claim number 728) shall be assigned to priority class VI, with the claim's value to be determined at a later time.

7. Upon entry of this Order, the claimants for all claims in Section D of Exhibit 1 to the Recommendation Report and Petition which are valued at \$0 pursuant to the Recommendation Report and Petition shall be deemed to have released the IUIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of these receivership proceedings, shall have no further interest in these proceedings, and shall not receive subsequent communications from the Court or the IUIC estate or Receiver.

CLAIM RECOMMENDATION FOR CLASS VII CLAIMS

8. The Class VII claims of the claimants listed in Column 2 of Section E of Exhibit 1 to the Recommendation Report and Petition shall be allowed in the amount set forth for each such claimant in Column 6 of Section E of Exhibit 1 to the Recommendation Report and Petition as Class VII claims pursuant to 18 DEL. C. §5918(e)(7).

9. Upon entry of this Order, the claimants for all claims in Section E of Exhibit 1 to the Recommendation Report and Petition which are valued at \$0 pursuant to the Recommendation Report and Petition shall be deemed to have released the IUIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of these receivership proceedings, shall have no further interest in these proceedings, and shall not receive subsequent communications from the Court or the IUIC estate or Receiver.

CLAIM RECOMMENDATION FOR CLASS VIII CLAIMS

10. The Class VIII claims of the claimants listed in Column 2 of Section F of Exhibit 1 to the Recommendation Report and Petition shall be allowed in the amount set forth for each such claimant in Column 6 of Section F of Exhibit 1 to the Recommendation Report and Petition as Class VIII claims pursuant to 18 DEL. C. §5918(e)(8).

11. Upon entry of this Order, the claimants for all claims in Section F of Exhibit 1 to the Recommendation Report and Petition which are valued at \$0 or denied pursuant to the Recommendation Report and Petition shall be deemed to have released

the IUIE estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of these receivership proceedings, shall have no further interest in these proceedings, and shall not receive subsequent communications from the Court or the IUIE estate or Receiver.

CLAIM RECOMMENDATION FOR CLASS IX CLAIMS

12. All claims of Indemnity Underwriters Insurance Company in Liquidation, or its successor, in its capacity as the sole shareholder of IUIE are hereby assigned to priority Class IX pursuant to 18 DEL. C. §5918(e)(9) with the value of such claim(s) to be determined at a later time if necessary.

DISALLOWANCE OF CLAIMS IN SECTION H OF RECEIVER'S EXHIBIT 1

13. The claims of the claimants listed in Column 2 of Section H of Exhibit 1 to the Recommendation Report and Petition shall be denied and disallowed in their entirety and shall not share in any distribution of the IUIE estate's assets. The claimants listed in Section H of Exhibit 1 to the Recommendation Report and Petition shall be deemed to have released the IUIE estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of these receivership proceedings, shall have no further interest in these proceedings, and shall not receive subsequent communications from the Court or the IUIE estate or Receiver other than service of a copy of this Order.

RECEIVER'S DISTRIBUTION PLAN FOR CLASS II CLAIMS

14. The Receiver's plan for a final distribution to the Class II undisputed claims set forth in Section A on Exhibit 1 to the Recommendation Report and Petition is hereby APPROVED.

15. The Class II early access distribution of \$818,441.00 to the Delaware Insurance Guaranty Association (the "Delaware GA") is hereby declared to be a final distribution to the Delaware GA on its Class II allowed claim and the \$818,441.00 Class II distribution to the Delaware GA is no longer subject to recall by the Receiver pursuant to the Early Access Agreement between the Receiver and the Delaware GA. The Court finds that as a result of the finalization of the Class II early access distribution to the Delaware GA, the Class II claim of the Delaware GA has been fully satisfied. As the funds necessary to satisfy the Class II claim of the Delaware GA have already been paid to the Delaware GA, the Receiver shall not distribute any additional assets of the IUIIC estate to the Delaware GA for their Class II claim. Upon entry of this Order, the Delaware GA shall be deemed to have released the IUIIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of the Class II claim of the Delaware GA, the Delaware GA shall have no further interest in these proceedings, and the Delaware GA shall not receive subsequent communications from the Court or the IUIIC estate or Receiver.

16. The Class II early access distribution of \$2,626.00 to the Property & Casualty Insurance Guaranty Corporation (the "Maryland GA") is hereby declared to be a final distribution to the Maryland GA on its Class II claim and the \$2,626.00 Class II

distribution to the Maryland GA is no longer subject to recall by the Receiver pursuant to the Early Access Agreement between the Receiver and the Maryland GA. The Court finds that as a result of the finalization of the Class II early access distribution to the Maryland GA, the Class II claim of the Maryland GA has been fully satisfied. As the funds necessary to satisfy the Class II claim of the Maryland GA have already been paid to the Maryland GA, the Receiver shall not distribute any additional assets of the IUIE estate to the Maryland GA for their Class II claim. Upon entry of this Order, the Maryland GA shall be deemed to have released the IUIE estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of the Class II claim of the Maryland GA, the Maryland GA shall have no further interest in these proceedings, and the Maryland GA shall not receive subsequent communications from the Court or the IUIE estate or Receiver.

17. The Class II early access distribution of \$590,494.00 to the Texas Property and Casualty Insurance Guaranty Association (the "Texas GA") is hereby declared to be a final distribution to the Texas GA on its Class II claim and the \$590,494.00 Class II distribution to the Texas GA is no longer subject to recall by the Receiver pursuant to the Early Access Agreement between the Receiver and the Texas GA. The Court finds that as a result of the finalization of the Class II early access distribution to the Texas GA, the Class II claim of the Texas GA has been fully satisfied. As the funds necessary to satisfy the Class II claim of the Texas GA have already been paid to the Texas GA, the Receiver shall not distribute any additional assets of the IUIE estate to the Texas GA for their Class II claim. Upon entry of this Order, the Texas GA shall be deemed to have released

the IUIE estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of the Class II claim of the Texas GA, the Texas GA shall have no further interest in these proceedings, and the Texas GA shall not receive subsequent communications from the Court or the IUIE estate or Receiver.

RECEIVER'S DISTRIBUTION PLAN FOR UNDISPUTED CLASS III CLAIMS

18. The Receiver's plan for a final distribution to the Class III undisputed claims set forth in Section B on Exhibit 1 to the Recommendation Report and Petition is hereby APPROVED.

19. The Receiver is hereby authorized to require, if she deems it necessary, a tax identification number or any other lawfully required information from any claimant receiving a distribution in order to permit the Receiver to comply with applicable Federal, state or local laws, including but not limited to the Internal Revenue Code, concerning receipt of such distributions.

20. **PROOF OF CLAIM 102 (DELAWARE GA):** The Class III early access distribution of \$119,559.00 to the Delaware GA is hereby declared to be part of the final distribution to the Delaware GA on its Class III claim and the \$119,559.00 Class III distribution to the Delaware GA is no longer subject to recall by the Receiver pursuant to the Early Access Agreement between the Receiver and the Delaware GA. On or before the later of thirty (30) days after entry of this Order or July 15, 2010, the Receiver shall distribute to the Delaware GA the sum of \$3,914,402.00, which constitutes the balance of the Delaware GA's Class III allowed claim. The Court finds that as a result of the finalization of the \$119,559.00 Class III early access distribution to the Delaware GA and

the additional payment from IUIIC's assets to the Delaware GA of \$3,914,402.00, the Class III claim of the Delaware GA will have been fully satisfied. Upon the issuance of the distribution of \$3,914,402.00 to the Delaware GA, the Delaware GA shall be deemed to have released the IUIIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of the Class III claim of the Delaware GA, the Delaware GA shall have no further interest in these proceedings, and the Delaware GA shall not receive subsequent communications from the Court or the IUIIC estate or Receiver.

21. **PROOF OF CLAIM 104 (MARYLAND GA):** The Class III early access distribution of \$101,374.00 to the Maryland GA is hereby declared to be part of the final distribution to the Maryland GA on its Class III claim and the \$101,374.00 Class III distribution to the Maryland GA is no longer subject to recall by the Receiver pursuant to the Early Access Agreement between the Receiver and the Maryland GA. On or before the later of thirty (30) days after entry of this Order or July 15, 2010, the Receiver shall distribute to the Maryland GA the sum of \$110,509.00, which constitutes the balance of the Maryland GA's Class III allowed claim. The Court finds that as a result of the finalization of the \$101,374.00 Class III early access distribution to the Maryland GA and the additional payment from IUIIC's assets to the Maryland GA of \$110,509.00, the Class III claim of the Maryland GA will have been fully satisfied. Upon the issuance of the distribution of \$110,509.00 to the Maryland GA, the Maryland GA shall be deemed to have released the IUIIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of the Class III claim of the

Maryland GA, the Maryland GA shall have no further interest in these proceedings, and the Maryland GA shall not receive subsequent communications from the Court or the IUIE estate or Receiver.

22. **PROOF OF CLAIM 109 (TEXAS GA):** The Class III early access distribution of \$2,367,506.00 to the Texas GA is hereby declared to be part of the final distribution to the Texas GA on its Class III claim and the \$2,367,506.00 Class III distribution to the Texas GA is no longer subject to recall by the Receiver pursuant to the Early Access Agreement between the Receiver and the Texas GA. On or before the later of thirty (30) days after entry of this Order or July 15, 2010, the Receiver shall distribute to the Texas GA the sum of \$6,901,586.00, which constitutes the balance of the Texas GA's Class III allowed claim. The Court finds that as a result of the finalization of the \$2,367,506.00 Class III early access distribution to the Texas GA and the additional payment from IUIE's assets to the Texas GA of \$6,901,586.00, the Class III claim of the Texas GA will have been fully satisfied. Upon the issuance of the distribution of \$6,901,586.00 to the Texas GA, the Texas GA shall be deemed to have released the IUIE estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of the Class III claim of the Texas GA, the Texas GA shall have no further interest in these proceedings, and the Texas GA shall not receive subsequent communications from the Court or the IUIE estate or Receiver.

23. **PROOF OF CLAIM NO. 1436 (PAKSHAN, ZAGROS AND SINGER BARZANI):** Unless the Receiver and the claimants stipulate otherwise prior to the later of thirty (30) days after entry of this Order or July 15, 2010, on or before the later of thirty

(30) days after entry of this Order or July 15, 2010, the Receiver shall deposit with the Court pursuant to Court of Chancery Rule 67 the sum of \$220,000.00 as the distribution on Proof of Claim No. 1436. If the Receiver and claimants have not resolved the ownership dispute concerning these funds within sixty (60) days of the deposit with the Court, the Receiver shall file an appropriate interpleader action concerning the deposited funds. Upon the Receiver's deposit of the funds with the Court, Pakhshan Barzani, Zagros Barzani and Singer Barzani, and their successors, if any, shall be deemed to have released the IUIIC estate, the Receiver, the Deputy Receiver, their agents and representatives with respect to their claims, provided that until the estate is closed and the Receiver is discharged, the Receiver shall continue to assist the Court to the extent practicable by initiating an interpleader action or other proceeding to address the ownership issues relating to the funds for this claim.

24. **PROOF OF CLAIM NO. 1847.01 (INSUROR'S FINANCIAL SERVICES, INC.):** Unless the Receiver and the claimants stipulate otherwise prior to the later of thirty (30) days after entry of this Order or July 15, 2010, on or before the later of thirty (30) days after entry of this Order or July 15, 2010, the Receiver shall deposit with the Court pursuant to Court of Chancery Rule 67 the sum of \$63,743.00 as the distribution on Proof of Claim No. 1847.01. If the Receiver and claimants have not resolved the ownership dispute concerning these funds within sixty (60) days of the deposit with the Court, the Receiver shall file an appropriate interpleader action concerning the deposited funds. Upon the Receiver's deposit of the funds with the Court, Insuror's Financial Services, Inc. and its successor, if any, shall be deemed to have released the IUIIC estate, the

Receiver, the Deputy Receiver, their agents and representatives with respect to their claims, provided that until the estate is closed and the Receiver is discharged, the Receiver shall continue to assist the Court to the extent practicable by initiating an interpleader action or other proceeding to address the ownership issues relating to the funds for this claim.

25. ALL UNDISPUTED CLASS III CLAIMS EXCEPT THE GUARANTY ASSOCIATION CLAIMS AND PROOFS OF CLAIM 1436 (PAKSHAN, ZAGROS AND SINGER BARZANI) AND 1847.01 (INSUROR'S FINANCIAL SERVICES): This paragraph does not apply to the Class III claims of the Delaware GA (Proof of Claim No. 102); the Maryland GA (Proof of Claim No. 104); the Texas GA (Proof of Claim No. 109); Pakhshan Barzani, Zagros Barzani and Singer Barzani (Proof of Claim No. 1436); and Insuror's Financial Services, Inc. (Proof of Claim No. 1847.01) on Section B of Exhibit 1 to the Recommendation Report and Petition, which claims are addressed above. Except for Proof of Claim numbers 102, 104, 109, 1436, and 1847.01 or claims with an allowed value of \$0, on or before the later of thirty (30) days after entry of this Order or July 15, 2010, provided no objection has been filed by such claimant, the Receiver shall distribute from IUIIC's assets to each claimant listed in Column 2 of Section B of Exhibit 1 to the Recommendation Report and Petition one hundred percent (100%) of the allowed amount set forth for such claimant in Column 6 of Section B of Exhibit 1, which payment will result in full and final payment of such claims. Upon issuance of payment by the Receiver, the claimant for each such claim shall be deemed to have released the IUIIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and

all liability arising out of these receivership proceedings, shall have no further interest in these proceedings, and shall not receive subsequent communications from the Court or the IUIE estate or Receiver except with respect to communications to locate such claimants, if necessary, and to make the required distribution. If any such claimants can no longer be located, after a reasonable search by the Receiver's staff, for the purpose of paying such claimants their distributive share, the Receiver is hereby authorized to deposit such claimants' distributive share with the Court, which deposit shall discharge the Receiver's obligation to make payment to such claimants which could not be located.

26. **PROOF OF CLAIM NOS. 1217.01 (JOHNNA P. CANALES AND/OR HER BANKRUPTCY ESTATE) AND 1217.02 (MICHAEL NEVALA):** Nothing herein shall constitute a decision concerning the priority classification or value to be assigned to Proof of Claim numbers 1217.01 (Johnna P. Canales and/or her bankruptcy estate) and 1217.02 (Michael Nevala). The determination of the priority classification and value, if any, to be assigned to these claims shall be addressed by the Receiver as appropriate in light of Ms. Canales' filing of a petition in bankruptcy. The Receiver shall reserve sufficient funds to pay such claims in full as if the claims were allowed in the full amount claimed and as if the Receiver's recommendation of a \$0 value were not adopted, but nothing herein or in the Receiver's Recommendation Report and Petition shall be construed as an admission of liability by the Receiver. Until such time as those claims are resolved, the Receiver shall not have any obligation to make a distribution of any of the IUIE estate's assets to either claimant for these claims. Nothing in this Order is intended to prejudice the rights of Ms. Canales (or her bankruptcy estate) or Mr. Nevala.

The claimants shall still have the opportunity to prove their claims to the satisfaction of the Receiver or the Court.

PROVISIONS APPLICABLE TO ALL CLAIMS EXCEPT 1217.01 AND 1217.02

27. Other than Proof of Claim Nos. 1217.01 and 1217.02 which are not being addressed at this time, any claimants' claims in excess of the amounts recommended by the Receiver are hereby DISALLOWED.

28. Each claim allowed in whole or in part pursuant to 18 DEL. C. §§5918(e)(4) through 5918(e)(9) set forth in this Order is subject to the availability of funds for the assigned priority class pursuant to 18 DEL. C. §5918(e). Nothing in the Receiver's Recommendation Report and Petition is intended to require or permit a distribution of the IUIIC estate's assets to any claim in Classes IV through IX as defined in 18 DEL. C. §5918(e) and the Recommendation Report and Petition.

29. Within ten (10) calendar days of receipt of this signed Order, the Receiver shall serve, by U.S. first class mail, postage prepaid, obtaining from the United States Postal Service a proof of mailing, which may be a bulk proof of mailing to all Claimants listed on Exhibit 1 to the Recommendation Report and Petition, a copy of this final Order.

30. There is no just reason for delay, and this Order, pursuant to Chancery Court Rule 54(b), is entered as a final judgment. This Order shall be deemed a separate Order with respect to each claim listed in Exhibit 1 to the Recommendation Report and Petition. **THE ABOVE CLAIMANTS WHOSE CLAIMS HAVE BEEN ALLOWED, DISALLOWED IN THEIR ENTIRETY, DISALLOWED IN PART, OR CLASSIFIED**

MAY APPEAL THIS ORDER TO THE SUPREME COURT OF THE STATE OF DELAWARE. SUCH APPEAL MUST BE FILED WITH (RECEIVED BY) THE CLERK OF THE DELAWARE SUPREME COURT WITHIN THIRTY (30) DAYS OF THE DATE OF THIS ORDER. IF YOU FAIL TO FILE A TIMELY APPEAL, THIS DECISION WILL BECOME FINAL. ANY APPEAL WHICH IS FILED SHALL RELATE SOLELY TO THE CLAIM FOR WHICH SUCH APPEAL HAS BEEN FILED BY THE CLAIMANT WHICH FILED SUCH CLAIM AND SHALL NOT AFFECT THE OTHER CLAIMS SUBJECT TO THIS ORDER. Any stay of this Order pending appeal by any of the Claimants whose claims are subject to this Order shall apply only to such claim and shall not act to stay the applicability and/or finality of this Order with respect to any other Claim subject to this Order.

31. This Court shall retain jurisdiction over any matters relating to the implementation, interpretation or enforcement of this Order.

Vice-Chancellor

Dated:

This document constitutes a ruling of the court and should be treated as such.

Court: DE Court of Chancery Civil Action

Judge: Donald F Parsons

File & Serve

Transaction ID: 31148460

Current Date: May 18, 2010

Case Number: 12892-VCP

Case Name: In re: Matter of the Liquidation of International Underwriters Insurance Co

Court Authorizer: Donald F Parsons

/s/ Judge Donald F Parsons