

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, JULY 18, 2019

190730111

COMMONWEALTH OF VIRGINIA, *ex. rel.*

STATE CORPORATION COMMISSION

v.

HOW INSURANCE COMPANY, A  
RISK RETENTION GROUP,  
HOME WARRANTY CORPORATION,  
and HOME OWNERS WARRANTY  
CORPORATION,  
Defendants

SEC-CLERK'S OFFICE  
DOCUMENT CONTROL CENTER

2019 JUL 18 AM 10:57  
CASE NO: INS-2019-00036

RECEIVED

JUL 23 2019

CANTILLO

FINAL ORDER IN AID OF CONTINUING LIQUIDATION

On March 1, 2019, Scott A. White, Commissioner for the State Corporation Commission's ("Commission") Bureau of Insurance, in his capacity as Deputy Receiver of HOW Insurance Company, a Risk Retention Group ("HOWIC"), Home Warranty Corporation ("HWC"), and Home Owners Warranty Corporation ("HOW") (collectively, the "HOW Companies"), in receivership for liquidation, submitted in this case his Application for Final Order in Aid of Continuing Liquidation ("Application").<sup>1</sup> The Application requested an order: (i) providing for a contingent hearing, to be held only in the event that written opposition to the Application is timely filed; (ii) establishing response procedures; and (iii) approving notice procedures. The Application also sought a second, final Commission order: (i) ratifying the actions and conduct heretofore in this receivership of the Deputy Receiver, his predecessors, the Special Deputy Receiver, and their deputies, counsel, and consultants in furtherance of the

---

<sup>1</sup> *Commonwealth of Virginia ex rel. State Corporation Commission v. HOW Insurance Company, a Risk Retention Group, Home Warranty Corporation, and Home Owners Warranty Corporation*, Case No. INS-2019-00036, Doc. Con. Cen. No. 190310037, Application for Final Order in Aid of Continuing Liquidation (March 1, 2019).

ongoing liquidation of the HOW Companies pursuant to the June 13, 2005, Order Approving Plans of Liquidation<sup>2</sup> ("Liquidation Order");<sup>3</sup> (ii) approving the Application's Exhibit I-4F as the final and exclusive list of "Builder Distributees"<sup>4</sup> to whom to distribute the residual assets of the HOW Companies ("Residual Assets"), as well as any remainder of the reserve established pursuant to paragraph 9 of the HOW/HWC Plan of Liquidation ("Reserve for Final Expenses and Contingencies"), according to the percentages shown on the Application's Exhibit I-4F; and (iii) authorizing the Deputy Receiver to complete the escheatment of unclaimed distributions of Residual Assets and the remainder of the Reserve for Final Expenses and Contingencies, or to do so through the use of a trustee ("Trustee") of a liquidating trust ("Liquidating Trust" or "Trust") established pursuant to paragraph 13 of the HOW/HWC Plan of Liquidation,<sup>5</sup> or through the use of an escrow arrangement ("Escrow"), or by any combination of the foregoing as the Deputy Receiver deems necessary or appropriate, in the manner proposed in the Application (including providing that if the Deputy Receiver estimates that the costs of distributing any remainder of the Reserve for Final Expenses and Contingencies pro rata to Builder Distributees would exceed the amount of those remaining assets, those remaining funds shall instead be paid to the Treasurer of the Commonwealth of Virginia); and (iv) directing the Deputy Receiver, notwithstanding the

---

<sup>2</sup> The "Plans of Liquidation" consist of the HOWIC Plan of Liquidation and the HOW/HWC Plan of Liquidation.

<sup>3</sup> *Commonwealth of Virginia ex rel. State Corporation Commission v. HOW Insurance Company, a Risk Retention Group, Home Warranty Corporation, and Home Owners Warranty Corporation*, Case No. INS-1994-00218, Doc. No. 358585, Order Approving Plans of Liquidation (June 13, 2005).

<sup>4</sup> The term "Builder Distributees" is used herein as defined in paragraph (8) of the Liquidation Order (*i.e.*, builders who were HOWIC insureds as of October 14, 1994, the date of the Receivership Order entered by the Circuit Court of the City of Richmond in *Commonwealth of Virginia ex rel. State Corporation Commission v. Home Warranty Corporation, Home Owners Warranty Corporation, and HOW Insurance Company, a Risk Retention Group*, Case No. HE-1059-1).

<sup>5</sup> The Application states that any Trust would be subject to supervision by the Deputy Receiver and the Commission, and that the Deputy Receiver would have the power to remove the Trustee and to appoint a successor Trustee.

reference to termination of a Trust in paragraph (14) of the Liquidation Order, to file a request in Case No. INS-1994-00218 for the Commission's approval to terminate and close the receivership proceedings when, for reasons such request would explain, the Deputy Receiver believes that the purposes of the liquidation proceeding have been accomplished (whether or not the use of a Trust proves necessary).

On March 25, 2019, the Commission entered its Scheduling and Procedural Order on the Application approving notice procedures, providing for a contingent hearing ("Contingent Hearing"), to be held only in the event that any person opposing the relief requested in the Application were to both file a Notice of Opposition to the Application no later than June 12, 2019, and file prepared testimony and exhibits of each witness expecting to present direct testimony on that person's behalf no later than July 12, 2019; and establishing response procedures.

No Notices of Opposition to the Application were filed.

NOW THE COMMISSION, having considered the Application, finds that the Contingent Hearing should be cancelled, and that the relief sought by the Deputy Receiver should be granted as herein set forth.

Accordingly, IT IS ORDERED THAT:

(1) The Commission ratifies the actions and conduct heretofore in this receivership of the Deputy Receiver, his predecessors, the Special Deputy Receiver, and their deputies, counsel, and consultants in furtherance of the ongoing liquidation of the HOW Companies pursuant to the Commission's June 13, 2005, Order Approving Plans of Liquidation.

(2) The Commission approves the Application's Exhibit I-4F as the final and exclusive list of Builder Distributees to whom to distribute the Residual Assets, as well as any remainder

of the Reserve for Final Expenses and Contingencies, according to the percentages shown on the Application's Exhibit I-4F.

(3) The Commission authorizes the Deputy Receiver to complete the escheatment of unclaimed distributions of Residual Assets and the remainder of the Reserve for Final Expenses and Contingencies, or to complete the liquidation of the last of the receivership estate's assets through the use of a Liquidating Trust, or through the use of Escrow, or by any combination of the foregoing as the Deputy Receiver deems necessary or appropriate, in the manner proposed in the Application (provided, however, that if the Deputy Receiver estimates that the costs of distributing any remainder of the Reserve for Final Expenses and Contingencies pro rata to Builder Distributees would exceed the amount of those remaining assets, those remaining funds shall instead be paid to the Treasurer of the Commonwealth of Virginia).

(4) Notwithstanding the reference to termination of a Trust in paragraph (14) of the Liquidation Order, the Deputy Receiver shall file a request in Case No. INS-1994-00218 for the Commission's approval to terminate and close the receivership proceedings when, for reasons such request would explain, the Deputy Receiver believes that the purposes of the liquidation proceeding have been accomplished (whether or not the use of a Trust proves necessary).

(5) The Contingent Hearing set in this matter is cancelled.

(6) This case is dismissed, and the papers herein shall be placed in the file for ended cases.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the State Corporation Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219.

A True Copy  
Teste:



Clerk of the  
State Corporation Commission