

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

JUL 10 2013

TIM RHODES
COURT CLERK

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STATE OF OKLAHOMA, ex rel.)
 JOHN D. DOAK, Insurance Commissioner,)
)
 Petitioner,)
)
 v.)
)
 PRIDE NATIONAL INSURANCE)
 COMPANY,)
)
 Defendant.)

Case No. CJ-2013-1448

ORDER OF LIQUIDATION WITH A FINDING OF INSOLVENCY

Now on this ~~10th~~ day of July, 2013, there comes before the Court the Receiver's Application for Order of Liquidation ("Application"). The Plaintiff, State of Oklahoma, *ex rel.* John D. Doak Insurance Commissioner, as Receiver for Pride National Insurance Company ("PNIC"), appears through counsel George M. Emerson of Riggs, Abney, Neal, Turpen, Orbison and Lewis. Defendant PNIC's parent company and sole shareholder, Pride Holdings Inc. has consented to the entry of the Order hereto.

The Court, having examined the Receiver's Application; having reviewed the evidence presented thus far; having heard the arguments, representations and/or agreements of the parties; and being fully advised, finds as follows:

1. This Court has jurisdiction of this action pursuant to 36 O.S. § 1902(A).
2. Venue in this Court is appropriate pursuant to 36 O.S. § 1902(F).
3. John D. Doak is the Insurance Commissioner of the State of Oklahoma, and as such is charged with the duty of administering and regulating the state's insurance industry.
4. PNIC is an Oklahoma domesticated insurance company, whose business practices qualify it as an "insurer" pursuant to Oklahoma law, and is subject to the insurance regulatory/supervisory authority of, or to liquidation, rehabilitation, reorganization or conservation by, the Oklahoma Insurance Commissioner pursuant to

36 O.S. § 1901(2).

5. On March 8, 2013, the State of Oklahoma, *ex rel.* John D. Doak, Insurance Commissioner, filed herein his *Verified Application for Order of Receivership and Injunctive Relief*.

6. Pursuant to the Court's March 8, 2013 *Order Placing Insurer into Receivership, Appointing Receiver, Issuance of Injunction and Order for Rehabilitation and Consent Thereto* ("Receivership Order"), the Court directed that PNIC be placed in receivership; appointed John D. Doak, Oklahoma Insurance Commissioner, as statutory Receiver; and directed the Receiver to rehabilitate the Company.

7. Pursuant to 36 O.S. § 1910 (B), the Receiver may apply to the Court for an Order of Liquidation if at any time he deems that further efforts to rehabilitate the insurer would be useless.

8. Pursuant to 36 O.S. §§ 1905 and 1906, the Receiver may apply to the Court for an Order directing the Receiver to liquidate the business of PNIC upon the showing of specified grounds, including that the insurer is insolvent; and/or is in a condition such that the continued operation would be hazardous to the policyholders, creditors or the general public. PNIC currently meets all of the aforesaid criteria.

9. Pursuant to 36 O.S. § 1911, an Order to liquidate the business of a domestic insurer shall direct the Receiver forthwith to take possession of the property of the insurer, to liquidate its business, to deal with the insurer's property and business in the Receiver's own name or in the name of the insurer, as the Court may direct, and to give notice to all creditors who may have claims against the insurer to present such claims.

10. The Receiver (and/or the Assistant Receiver) has taken custody of and accounted for the books and records and remaining assets of PNIC since entry of the *Order Placing Insurer into Receivership, Appointing Receiver, Permanent Injunction and Order for Rehabilitation and Consent Thereto*.

11. The Receiver has actively attempted to rehabilitate, market and/or sell PNIC. The Receiver has determined that PNIC cannot be rehabilitated and, to date, efforts to sell PNIC have not been successful. Further, the expenditure/dissipation of estate assets makes it

prohibitive to continue rehabilitation and/or sale efforts any further, other than marketing and selling the insurance charters themselves which this Court grants authorization to do pursuant to 36 O.S. § 1901, *et seq.* (Oklahoma Uniform Insurers Liquidation Act, "OUILA").

12. The continued effort to rehabilitate PNIC will result in the further depletion of limited remaining assets to the detriment of PNIC, and ultimately to the detriment of PNIC policyholders, creditors and the public.

13. Sufficient cause and evidence exists for the entry of the Order of Liquidation against Defendant PNIC, including the fact that PNIC is statutorily insolvent.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED, AND THE PARTIES AGREE THAT:

1. This Order of Liquidation is hereby entered as to and against PNIC. This Order is a final order.

2. PNIC is statutorily insolvent.

3. PNIC has failed to demonstrate to the satisfaction of the Receiver that is capable of making good an impairment of capital or surplus, or both. The condition of PNIC is such that the continued operation would be hazardous to the policyholders, creditors or the general public. The continued effort to rehabilitate PNIC will result in the further depletion of limited assets to the detriment of PNIC, and ultimately to the detriment of PNIC policyholders and creditors, and the public.

4. Efforts by the Receiver to sell or otherwise rehabilitate PNIC have not been successful. Further, the expenditure/burn rate of limited assets makes it prohibitive to continue rehabilitation and/or sale efforts any further. However, the Receiver may continue to market the sale of PNIC insurance charters.

5. All direct policies not previously cancelled, non-renewed or otherwise terminated and/or certificates of insurance heretofore issued by PNIC are hereby cancelled upon the following terms. The termination of policies set forth herein supercedes any contractual or statutory provisions pertaining to the renewal or cancellation of policies:

a. All direct policies and/or certificates of insurance which may give rise to "covered claims" as defined and set forth in the Oklahoma Property and Casualty Insurance Guaranty Association Act, 36 O.S. §§ 2001, *et seq.*, or which may give rise to "covered claims" of a similar organization in any other state, as defined by the provisions of such similar statute in any such other state, shall be cancelled on the earliest of:

(i) At 12:01 a.m., local time of the insured or policyholder of any such direct policy and/or certificate of insurance, on the thirty-first (31) day following the date of entry of this Order of Liquidation; or

(ii) Upon the expiration of any such direct policy and/or certificate of insurance, if the expiration date is within thirty (30) days from the date of entry of this Order of Liquidation; or

(iii) Upon the date requested by the insured or policyholder of any such direct policy and/or certificate of insurance pursuant to policy provisions, if the requested cancellation date is within thirty (30) days following the date of entry of this Order of Liquidation.

b. All other direct policies and/or certificates of insurance issued by PNIC shall be cancelled effective as of the date of entry of this Order of Liquidation.

c. Further, the continuation of the policies until the dates specified above is contingent upon premium payments continuing to be paid when due during the post-liquidation cancellation period, without regard to any pre-liquidation offsets (if allowable by law) for deposits claimed to be held by PNIC or its parent holding company or agent(s); otherwise the policy shall cancel/terminate upon non-payment of premium pursuant to policy provisions.

d. In the event a policy is deemed to have lapsed as of the entry of the Order of Liquidation or within thirty (30) days following the date of entry of the Order of Liquidation, such policy will not be reinstated.

6. The Receiver is hereby vested with all powers, rights and authority, express or implied, under the provisions of the OUILA, 36 O.S. §§ 1901 *et seq.*, in order to liquidate PNIC.

7. The Receiver is hereby vested by operation of law with title to all of the property, accounts, assets, contracts, rights of action and all of the books and records of PNIC wherever located, now or hereafter discovered.

8. Pursuant to 36 O.S. § 1911, the Receiver shall forthwith take possession of the property of PNIC, shall liquidate its business, shall deal with PNIC property and business in the Receiver's own name as statutory Receiver and/or in the name of PNIC, and shall give notice to all creditors who may have claims against PNIC to present such claims.

9. Pursuant to 36 O.S. § 1930, the Court hereby sets a one hundred eighty (180) day claims filing period for claimants to submit claims to the Receiver. The claims filing deadline shall be one hundred eighty (180) days from the date of entry of this Order. The Receiver shall notify all persons who may have claims against PNIC of this claims filing deadline. The notice shall be given in a manner approved by the Court. Proofs of claim may be submitted after the claims filing deadline, but no such claim shall share in the distribution of the assets until all allowed claims, proofs of which have been submitted before that date, have been paid in full with interest in accordance with Oklahoma law.

10. Pursuant to 36 O.S. § 1925, the rights and liabilities of PNIC and of its creditors, policyholders, stockholders, members, subscribers, and all other persons interested in its estate shall be fixed as of the date of entry of this Order of Liquidation, subject to the provisions otherwise set forth herein and/or within the OUILA with respect to the rights of claimants holding contingent claims.

11. With respect to claimants holding contingent claims, including causes of action against PNIC or PNIC insureds, the provisions of 36 O.S. § 1929 shall govern said claimants' rights in this liquidation proceeding.

12. Any and all banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of and/or presented with a copy of this Order and having in its possession accounts or any other assets which

are, or may be, the property of PNIC are restrained from disbursing or disposing of said accounts or assets, and are further restrained from disposing of or destroying any records pertaining to any business transaction between PNIC; and such banks, brokerage houses, financial institutions, companies, persons or entities having done business or doing business with PNIC or having in its possession assets and/or records which are, or may be, the property of PNIC are ordered to immediately deliver any and all such assets and/or records to the Receiver.

13. All agents, brokers and fronting companies of PNIC and their respective agents, servants, representatives and employees, and all other persons having knowledge of and/or presented with a copy of this Order are restrained from returning any unearned premiums or any money in their possession, or under their control, collected from premiums upon policies, contracts or certificates of insurance or reinsurance previously issued by PNIC to policyholders or others; and all such agents, servants, representatives and employees are directed to turn over all such funds in their possession or under their control, including any premium or money to which they may hereafter acquire possession or control, to the Receiver in gross and not net of any commissions which may be due thereon.

14. PNIC officers and directors have previously resigned and any/all of their authority has been revoked and withdrawn.

15. PNIC and each of its respective officers, employees, directors, trustees, stockholders, shareholders, members, subscribers, agents, representatives, and all other persons, are hereby permanently enjoined and prohibited from transacting any further business of PNIC; and are further permanently enjoined and prohibited from wasting, transferring, selling concealing, destroying, disbursing, disposing of, or assigning any assets, contracts, causes of action, funds, records, correspondence, memoranda, or any other documents or other property of PNIC, or any of its respective affiliates, or interfering with the Receiver and/or these receivership proceedings.

16. PNIC, and both its former and current respective officers, employees,

directors, affiliates, trustees, stockholders, shareholders, members, subscribers, enrollees, insurers, reinsurers, agents representatives, contractors, subcontractors and all other persons, are hereby directed to assign, transfer and deliver any/all amounts owed to and/or property or records of PNIC to the Receiver.

17. All persons and entities (including secured creditors, unsecured creditors, claimants and/or litigants) are hereby enjoined and prohibited from wasting, transferring, selling, concealing, destroying, disbursing, disposing and assigning, in any manner, the assets and/or property of PNIC; and are further permanently enjoined and prohibited from prosecuting any pending action or litigation involving PNIC (whether as a plaintiff or defendant or insurer/indemnitor thereto); obtaining any preferences, judgments, attachments, or other liens against PNIC; making any levy against PNIC or against its assets or any part thereof; or interfering with the Receiver and/or these receivership proceedings.

18. The Receiver is hereby vested by operation of law to assert and prosecute common claims on behalf of policyholders and creditors of the estate. The Receiver is further vested and authorized to continue the prosecution of the arbitration proceeding between PNIC and Rio National Insurance Services, Inc. and Rio Claims Services, Inc., which such arbitration is not stayed by the provisions of this Order.

19. As Receiver, the Insurance Commissioner may appoint one or more assistant commissioners or receivers to act for him and may employ such counsel, clerks, and assistants as he deems necessary. The Receiver's selection of Donna Wilson as Assistant Receiver and the Law Firm of Riggs, Abney, Neal, Turpen, Orbison and Lewis as Counsel for the Receiver, are hereby approved and reaffirmed. The Receiver's use of state employees in connection with this action is hereby approved and reaffirmed, and reimbursement to the Oklahoma Insurance Department for the actual cost to the Department of the salary and benefits of such employees is hereby approved as a Class 1 expense of the estate. The compensation of the assistant commissioners or receivers, counsel, clerks, or deputies, and all expenses of taking possession of PNIC, and of conducting the proceedings shall be fixed by the Receiver, subject to approval of this Court,

and shall be paid out of the funds or assets of PNIC, as deemed appropriate/necessary by the Receiver and approved by the Court. Within the limits of duties imposed upon them, any assistant receiver shall possess all of the powers given to the Receiver and, in the exercise of those powers, shall be subject to all of the duties, powers and limitations imposed upon the Receiver with respect to these proceedings, pursuant to 36 O.S. § 1914(F).

20. If any legal action is commenced against the Insurance Commissioner, Receiver, assistant commissioners or receivers, retained counsel, deputies, and/or any of their employees or personnel, whether personally or in an official capacity, alleging property damage, property loss, personal injury, or other civil liability caused by or resulting from any alleged act, error, or omission of any such person, the Insurance Commissioner, Receiver, assistant commissioners or receivers, deputies, retained counsel, and/or any of their employees or personnel shall be immune from liability and indemnified as defined and set forth under 36 O.S. § 1937.

21. Until further order of the Court, no obligation, claim or debt of or against PNIC shall be paid except those which the Receiver deems to be necessary or appropriate to facilitate the taking of possession or commencement/furtherance of the liquidation of PNIC. Except as provided for herein, no distribution of the property/assets of PNIC will be made without approval of the Court.

22. Any amounts recovered or recoverable from a contractor, reinsurer, or other insurer of PNIC shall not be reduced as a result of this Order or this delinquency proceeding.

23. All rights, duties and powers of the Receiver set forth in the Receivership Order are reaffirmed. The injunctive relief set forth in the *Receivership Order* and the *Order Extending Stay of Litigation* shall continue and is reaffirmed. All findings and rulings of the Court set forth in the *Receivership Order* are reaffirmed.

24. The permanent and temporary injunctive relief entered by the Court in its Order Placing Insurer into Receivership, Appointing Receiver, Permanent Injunction and Order for Rehabilitation and Consent Thereto and in the Order Extending Stay of Litigation entered May 17, 2013 shall remain in effect as set forth and provided for therein and/or as set forth herein.

25. The Court further enjoins and orders that all claims and/or proceedings in which PNIC, its policyholder(s), or any Guaranty Association (in this state or another state in which PNIC is licensed) is a party shall be stayed one hundred (120) days (or the time period set forth in any similar statute in other states) from the date of this Order of Liquidation to permit proper legal action by the Guaranty Association on any matters germane to its powers and duties. As to judgment under any decision, order, verdict or finding based on default, the Guaranty Association may apply to have such judgment set aside by the same court that made such judgment and shall be permitted to defend against such suit on the merits.

26. All expenses of these proceedings shall be taxed and assessed against PNIC as approved by the Court.

27. Pursuant to 36 O.S. § 1923, the Insurance Commissioner, as Receiver, shall not be required to pay any fee to any public officer in this state for filing, recording, issuing a transcript or certificate or authenticating any paper or instrument pertaining to the exercise by the Insurance Commissioner, as Receiver, of any of the powers or duties conferred upon him, whether or not such paper or instrument be executed by the Insurance Commissioner or his assistants, deputies, employees or attorneys of record and whether or not it is connected with the commencement of any action or proceeding by or against the Insurance Commissioner, or with the subsequent conduct of such action or proceeding.

28. Unless otherwise ordered by the Court, any violations of this Order or the injunctive relief set forth herein shall be deemed a contempt of Court and shall subject the violating party to such penalties as allowed by law.

Signed the 10th day of July, 2013.

BARBARA SWINTON

BARBARA G. SWINTON
JUDGE OF THE DISTRICT COURT

APPROVED:

I, TIM RHODES, Court Clerk for Oklahoma County, Okla., certify that the foregoing is a true, correct and complete copy of the instrument as appears of record in the District Court Clerk's Office of Oklahoma County, Okla., this 10th day of July, 2013

By TIM RHODES Deputy



Robert A. Nance, OBA No. 6581

George M. Emerson, OBA No. 13159

RIGGS, ABNEY, NEAL, TURPEN

ORBISON & LEWIS

5801 Broadway Extension, Suite 101

Oklahoma City, Oklahoma 73118

Telephone: (405) 843-9909

ATTORNEY FOR PLAINTIFF

STATE OF OKLAHOMA, EX. REL.

JOHN D. DOAK, INSURANCE

COMMISSIONER, AS RECEIVER OF

PRIDE NATIONAL INSURANCE COMPANY

CONSENT TO ORDER OF LIQUIDATION

Defendant has reviewed the foregoing Order Placing Insurer Into Liquidation.

1. Defendant admits the jurisdiction of the Insurance Commissioner, State of Oklahoma, and consents to the entry of the foregoing Order.

2. Defendant is aware of its right to notice and a hearing at which it may be represented by counsel, present evidence and examine witnesses. Defendant irrevocably waives its right to such notice and hearing and to any court appeals relating to this Consent Order of Liquidation.

3. B. Matthew Petcoff represents the sole shareholder of Pride National Insurance Company as the President of Pride Holdings, Inc., PNIC's parent company, and he is duly authorized to execute this Consent Order on PNIC's behalf.

Pride Holdings, Inc.

By 

B. Matthew Petcoff, President
Pride Holdings, Inc.

(Sole Shareholder of Pride National Insurance
Company)

CERTIFICATE OF MAILING

I, hereby certify that on this 10th day of July, 2013, I caused to be mailed a true and correct copy of the within and foregoing instrument to:

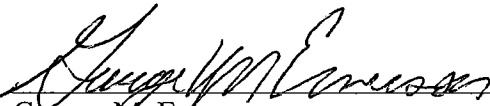
Matt Petcoff, President
Pride Holdings, Inc.
5217 Maryland Way
Suite 222
Brentwood, TN 37027

J. Angela Ables
Kerr, Irvine, Rhodes & Ables, P.C.
201 Robert S. Kerr Ave., Suite 600
Oklahoma City, OK 73102

Donna Wilson, CIR.
Assistant Receiver
Oklahoma Receivership Office, Inc.
Three Corporate Plaza
3613 NW 56th Street, Suite 330
Oklahoma City, OK 73112

Susan Loving
Lester Loving & Davies
1701 S. Kelly Avenue
Edmond, OK 73013

Susan Dobbins, General Counsel
Oklahoma Insurance Department
Five Corporate Plaza
3625 NW 56th Street, Suite 100
Oklahoma City, OK 73112


George M. Emerson