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NORTH CAROLINA

IN THE GENERAL COURT OF JUSTICE

WAKE COUNTY 2014 JUN -6 PM 3:32

SUPERIOR COURT DIVISION

12 CVS 001270

FILED, C.S.C.

WAYNE GOODWIN, as )  
Commissioner of Insurance of )  
the State of North Carolina, )  
Petitioner, )

v. )

CAGC INSURANCE COMPANY, )  
Respondent, )

v. )

NORTH CAROLINA INSURANCE )  
GUARANTY ASSOCIATION, )  
Intervenor, Respondent, )  
Counterclaimant, and )  
Cross-Claimant, )

v. )

NORTH CAROLINA SELF-INSURANCE )  
SECURITY ASSOCIATION, )  
Intervenor, Respondent, )  
Counterclaimant, and )  
Cross-Claimant. )

**ORDER OF LIQUIDATION**

THIS CAUSE came on to be heard by the undersigned Special Superior Court Judge, Honorable Shannon R. Joseph, presiding in this case by designation pursuant to Rule 2.1 of the General Rules of Practice for the Superior and District Courts, at the 18 November 2013 session of Wake County Superior Court upon the Verified Petition filed herein on behalf of the State of North Carolina by the Honorable Wayne Goodwin in his capacity as Commissioner of Insurance of the State of North Carolina (“Commissioner”) seeking the entry of an Order of Liquidation against CAGC Insurance Company (“CAGC”), and for injunctive relief. The Commissioner was

represented by David W. Boone and M. Denise Stanford of the North Carolina Attorney General's office, CAGC was represented by David Liggett and Jim Conner, Attorneys at Law of Raleigh, North Carolina, the North Carolina Insurance Guaranty Association (NCIGA) was represented by Chris Blake, Attorney at Law of Raleigh, North Carolina, and the North Carolina Self-Insurance Security Association (NCSISA) was represented by Cathy Stuart and Sandhya Gopal, Attorneys at Law of Raleigh, North Carolina. After reviewing the file and the Verified Petition and considering the representations of counsel on the record that no evidence would be presented in opposition to liquidation, the Court finds and concludes as set forth below.

#### FINDINGS OF FACT

1. Petitioner is the Commissioner of Insurance of the State of North Carolina.

2. Respondent CAGC is a property and casualty insurance company since 1 July 2008, having merged with CompTrust AGC, a North Carolina group self-insurer under Article 47 of Chapter 58 of the North Carolina General Statutes, and CAGC is incorporated under the laws of the State of North Carolina. On or about 18 January 2012, CAGC reported to the North Carolina Department of Insurance that its admitted assets were less than its liabilities by the amount of \$146,510 and CAGC had a negative surplus as of 30 November 2011.

3. On 26 January 2012, this Court entered an Order of Rehabilitation and Order of Injunction against CAGC with the written consent of CAGC. The Order of Rehabilitation found that CAGC was in an impaired financial condition within the meaning of N.C. Gen. Stat. § 58-30-12 (a) (2) and that CAGC was in such condition as to render the continuance of its business hazardous to its policyholders, creditors, or the public.

4. Under the Order of Rehabilitation, the Commissioner has administered the assets of CAGC in accordance with N.C. Gen. Stat. § 58-30-80, *et seq.* Under the Order of Rehabilitation,

the Commissioner, through his Special Deputy Insurance Commissioner, has filed Verified Quarterly Reports that show that CAGC is insolvent and evidence has been presented to show that CAGC is insolvent within the meaning of N.C. Gen. Stat. § 58-30-10(13).

5. CAGC is in such condition as to render the further transaction of its business hazardous to its policyholders, creditors or the public within the meaning of N.C. Gen. Stat. § 58-30-100(3).

6. Further attempts to rehabilitate CAGC would substantially increase the risk of loss to creditors, policyholders or the public, or such further attempts to rehabilitate CAGC would be futile.

7. The Commissioner is entitled to be appointed as Liquidator of CAGC under the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes.

#### CONCLUSIONS OF LAW

1. The Commissioner has initiated this proceeding in his official capacity on behalf of the State of North Carolina pursuant to N.C. Gen. Stat. §§ 58-30-15, 58-30-20, 58-30-65, 58-30-95, 58-30-100, 58-30-105, and Article 38 of Chapter 1 of the North Carolina General Statutes by filing a Verified Petition for an Order of Liquidation with the Clerk of Superior Court of Wake County.

2. This proceeding is now subject to the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes.

3. Grounds for the entry of an Order of Liquidation and Order of Injunction exist.

4. The Commissioner is entitled to be appointed as the Liquidator of CAGC under the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that:

COMMISSIONER APPOINTED AS LIQUIDATOR

1. The Honorable Wayne Goodwin, in his capacity as Commissioner of Insurance of the State of North Carolina, is appointed as Liquidator of CAGC pursuant to the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes.

TITLE OF ASSETS AND RECORD NOTICE OF TITLE

2. This Order of Liquidation shall, by operation of law, vest title of all assets of CAGC in the Liquidator and the filing or recording of this Order with the Clerk of the Superior Court and the Register of Deeds of the county in which CAGC's principal office or place of business is located, or, in the case of real estate, with the Register of Deeds of the county where the real estate is located, shall impart the same notice as a deed, bill of sale, or other evidence of title duly filed or recorded with that Register of Deeds would have imparted.

POSSESSION AND CONTROL OF ASSETS

3. As liquidator, the Commissioner is hereby authorized, empowered and directed to take into his possession and control all property, stocks, bonds, securities, accounts, monies, books, papers, records, microfilm, electronic files or electronic data, information technology programs, any data base or data base program, printouts and computations (both tangible and stored in memory), electronic, optical or magnetic storage devices or media, tapes, disks, or drives, and all other assets of any and all kinds and nature whatsoever belonging to CAGC, wherever located, to which the liquidator may be entitled by virtue of the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes, and to administer them under the general supervision of this Court.

#### OTHER POWERS OF LIQUIDATOR

4. The Commissioner shall be vested with such other duties, powers, authorities, and obligations as are provided by Article 30 of Chapter 58 of the North Carolina General Statutes.

#### APPOINTMENT OF SPECIAL DEPUTY COMMISSIONER AND EMPLOYEES

5. Pursuant to N.C. Gen. Stat. § 58-30-120, the Commissioner is authorized to appoint a Special Deputy Insurance Commissioner to act for the liquidator in connection with this proceeding, and the liquidator or said Special Deputy Insurance Commissioner is authorized to employ and to discharge such counsel, clerks or assistants as the liquidator or said Special Deputy Insurance Commissioner deems to be necessary, or to utilize State employees for said purposes if he has determined that the use of State employees to conduct certain aspects of the liquidation is the most cost effective method of administering the delinquency proceeding and that this action benefits the estate and its creditors, to fix the reasonable compensation for counsel, clerks or assistants or other such personnel, other than State employees, at customary rates, and to obtain such bonds, errors and omissions insurance, or excess liability insurance, in addition to that already provided for employees of the North Carolina Department of Insurance, as a reasonably prudent person would deem to be appropriate, that the compensation for the services of the Special Deputy Insurance Commissioner, and for counsel, clerks or assistants and employees, and all expenses of taking possession of CAGC and of conducting the delinquency proceedings against CAGC to be paid out of the funds of CAGC.

#### LIQUIDATOR'S EXPENSES

6. The Commissioner, acting as the liquidator, is authorized, empowered and directed to incur such expenses for communication and traveling expenses for himself, his agents or attorneys as may be necessary in the proper administration of his duties as liquidator and also to

incur such other expenses as the liquidator may deem advisable or necessary in order to properly conduct and perform his duties as liquidator.

INJUNCTION AGAINST INTERFERING WITH LIQUIDATION

7. All persons, firms, corporations, municipalities, counties and the State of North Carolina are hereby enjoined and restrained from interfering in any manner with the property or assets of CAGC or with the Commissioner, acting as liquidator, in the exercise of his duties, and they are further enjoined and restrained from instituting any suit or other action against the liquidator or CAGC's property except by the permission of this Court first had and obtained.

STAY OF PENDING ACTIONS

8. Any and all pending actions against CAGC are hereby stayed effective as of the date of this Order.

INJUNCTION AGAINST ACTIONS BY CREDITORS

9. All persons, firms and corporations receiving actual notice of this Order are hereby stayed from the obtaining of preferences, judgments, attachments, garnishments, or liens against CAGC or its assets, or the levying of execution or foreclosure against CAGC or its assets, until further Order of the Court.

INJUNCTION AGAINST WASTE, TRANSACTION OF BUSINESS

10. CAGC, its trustees, officers, directors, agents, employees and all other persons are hereby enjoined and restrained from the disposition, waste or impairment of any of CAGC's property or the transaction of further business unless supervised and approved by the liquidator or his agents or deputies until further order of the Court, and all such persons are hereby required to transfer to the liquidator any and all property of CAGC wheresoever situated.

INJUNCTION AGAINST ALLOWING OBTAINMENT OF PREFERENCES

11. CAGC, its trustees, officers, agents, servants, employees, directors and attorneys are hereby enjoined and restrained from doing or permitting to be done anything which may allow or suffer the obtainment of preferences, judgments, attachments or other liens, or the initiation of a levy against CAGC, without prior permission of this Court.

ACCOUNTING AND REPORTING

12. Pursuant to N.C. Gen. Stat. § 58-30-105(e), the liquidator shall make a quarterly report to the Wake County Superior Court and the liquidator shall include in said report a statement of receipts and disbursements to date and a balance sheet, that one original be filed with the Clerk of Superior Court and a copy shall be submitted to the Judge presiding over the liquidation, that the requirement of this Order shall be satisfied by filing the accounting as provided and the liquidator shall not be required to seek the Court's approval of said accounting, that this accounting may be amended or supplemented in the liquidator's discretion.

COMMISSIONER'S BOND

13. The official bond of the Commissioner of Insurance of the State of North Carolina shall be sufficient to serve for the faithful performance of his duties and obligations herein imposed.

EFFECTIVE DATE OF ORDER OF LIQUIDATION

14. This Order shall be effective as of 17 January 2014.

15. The Court references: (a) the Order on Motion for Summary Judgment pursuant to Rule 56 of the North Carolina Rules of Civil Procedure; and (b) the Judgment pursuant to Rule 52 of the North Carolina Rules of Civil Procedure on other claims and defenses that were tried before the Court at the 18 November 2013 session of the Wake County Superior Court, which

written rulings of the Court have been signed on the same date as this Order of Liquidation.

16. The Court retains jurisdiction of this matter for the determination of such further matters in connection with this liquidation that may properly come before the Court.

This the 6th day of January, 2014

Shannon R. Joseph  
Superior Court Judge Presiding