

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 63

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In the Matter of

Index No.: 450974/2022

the Ancillary Receivership of

AFFIRMATION

HIGHLANDS INSURANCE COMPANY.
-----X

Melissa A. Pisapia, an attorney at law, duly admitted to practice before the Courts of the State of New York, hereby affirms the following to be true under penalties of perjury:

1. I am an attorney with the New York Liquidation Bureau (“NYLB”), which serves as the staff of Adrienne A. Harris, Superintendent of Financial Services of the State of New York, in her capacity as ancillary receiver (“Ancillary Receiver”) of Highlands Insurance Company (“Highlands”). I submit this affirmation upon information and belief, based on my review of the Highlands files maintained by the NYLB and the conversations I have had with employees of the Liquidator, in support of the Ancillary Receiver’s application for an order approving the Ancillary Receiver’s report on the status of and request to close the Highlands ancillary receivership proceeding (“Closing Report”).

2. A copy of the proposed order is annexed hereto as Exhibit 1.

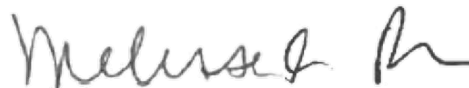
3. The Closing Report is annexed hereto as Exhibit 2.

4. The Ancillary Receiver proposes to give notice of the return date of the accompanying Order to Show Cause by posting the Order to Show Cause and its supporting papers on the NYLB Internet web page at <https://www.nylb.org/home.htm>, under Legal and Estate Notices, within five (5) days of the Ancillary Receiver’s receipt of a signed copy of the Order to Show Cause.

5. No previous application for the relief sought herein has been made to this or any other court or judge thereof.

WHEREFORE, it is respectfully requested that the Court grant an order substantially in the form of the proposed order annexed hereto as Exhibit 1: (i) approving the Closing Report; (ii) terminating and closing the ancillary receivership proceeding; (iii) authorizing the NYLB, after termination of the ancillary receivership proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the Highlands estate; (iv) releasing and discharging the Ancillary Receiver, her predecessors and successors in office, the NYLB, and their agents, attorneys and employees, from any liability arising from their acts or omissions in connection with the ancillary receivership proceeding; and (v) for such other and further relief that this Court deems just and proper.

Dated: New York, New York
October 24, 2023



Melissa A. Pisapia

Exhibit 1 - Proposed Order

At IAS Part 63 of the Supreme Court of the State of New York, County of New York, at the Courthouse located at 60 Centre Street, New York, New York, on the ____ day of _____, 2023.

P R E S E N T:

HON. LAURENCE L. LOVE, J. S. C.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 63

-----X
In the Matter of

Index No.: 450974/2022

the Ancillary Receivership of

ORDER

HIGHLANDS INSURANCE COMPANY.
-----X

Upon the motion of the Superintendent of Financial Services of the State of New York, as ancillary receiver (“Ancillary Receiver”) of Highlands Insurance Company (“Highlands”) for an order, (i) approving the Ancillary Receiver’s report on the status of, and request to close, Highlands’s ancillary receivership proceeding (the “Closing Report”); (ii) terminating and closing the ancillary receivership proceeding; (iii) authorizing the New York Liquidation Bureau (“NYLB”), after termination of the ancillary receivership proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the Highlands estate; (iv) releasing and discharging the Ancillary Receiver, her predecessors and successors in office, the NYLB, and their agents, attorneys and employees, from any liability arising from their acts or omissions in connection with the ancillary receivership proceeding; and (v) for such other and further relief that this Court deems just and proper.

NOW, on the motion of the Ancillary Receiver, and no opposition having been filed with the Court, it is;

ORDERED, that the application is granted; and it is further

ORDERED, that the Closing Report is approved; and it is further

ORDERED, that the ancillary receivership proceeding is terminated and closed; and it is further

ORDERED, that the NYLB, after termination of the ancillary receivership proceeding and without further order of this Court, is authorized to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the Highlands estate; and it is further

ORDERED, that the Ancillary Receiver, her predecessors, and successors in office, the NYLB, and their agents, attorneys, and employees, and are released and discharged from any liability arising from their acts or omissions in connection with the Highlands ancillary receivership proceeding.

E N T E R

J.S.C.

Exhibit 2 – Closing Report

**FINAL REPORT ON THE STATUS OF AND REQUEST TO CLOSE
THE ANCILLARY RECEIVERSHIP PROCEEDING OF
HIGHLANDS INSURANCE COMPANY**

Adrienne A. Harris, Superintendent of Financial Services of the State of New York (“Superintendent”), as ancillary receiver (“Ancillary Receiver”)¹ of Highlands Insurance Company (“Highlands”) submits this report (“Closing Report”) to apprise the Court of the status of the ancillary receivership proceeding and to respectfully request that the Court enter an order substantially in the form of the proposed order annexed as Exhibit 1 to the accompanying affirmation of Melissa A. Pisapia, *inter alia*, approving the Closing Report and terminating and closing the Highlands proceeding.

**COMMENCEMENT OF DOMICILIARY LIQUIDATION PROCEEDING AND
ANCILLARY RECEIVERSHIP PROCEEDING**

On October 29, 2021, the District Court of Travis County, Texas (“Texas Court”) issued an order placing Highlands, a Texas domestic insurer licensed to transact insurance business in the State of New York, into liquidation (“Domiciliary Liquidation Proceeding”) and appointing the Texas Commissioner of Insurance and her successors in office statutory liquidator of Highlands (“Texas Liquidator”). (NYSCEF Doc. No. 4).

On May 11, 2022, this Court issued an order commencing this ancillary receivership proceeding (“Ancillary Receivership Proceeding”) for the benefit of New York claimants with claims under Highlands insurance policies and appointing the Superintendent, and her successors in office, as Ancillary Receiver of Highlands. (NYSCEF Doc. No. 14)

The purpose of the Ancillary Receivership Proceeding was to evaluate, process, and ultimately resolve any claims under Highlands’s policies that are filed by New York claimants.

¹ The Ancillary Receiver has appointed David Axinn as Special Deputy Superintendent and Agent of the Ancillary Receiver and other agents to carry out through her staff at the New York Liquidation Bureau (“NYLB”) the responsibilities of the Ancillary Receiver.

After lengthy discussions, the Texas Liquidator has decided to retain any potential New York claims and not refer such claims to the Ancillary Receiver.

ANCILLARY RECEIVERSHIP PROCEEDING CLAIMS

Bar Date and Claims Submitted

By order dated May 17, 2022, the Texas Court established May 31, 2022, as the date by which Class two claims, other than claims by insurance guaranty associations, must be liquidated and August 31, 2022, as the deadline to submit final claim updates regarding such claims ("Bar Date"). A copy of the order is attached hereto as Exhibit A

All claims presented by Highlands's policyholders, claimants, and creditors before the Bar Date were processed by the Texas Liquidator through the Domiciliary Liquidation Proceeding, and any potential claims under a New York based policy were retained by the Texas Liquidator and not referred to the Ancillary Receiver nor were any claims filed directly with the Ancillary Receiver. Therefore, because the Bar Date has passed, there is no further action that the Ancillary Receiver needs to take to fulfill her duties and obligations as set forth in the order establishing the Ancillary Receivership Proceeding.

FINANCIAL REPORT

Highlands's financial books and records were closed on September 30, 2023 (the "Closing Date"). Highlands's Summary of Losses, Loss Adjustment Expenses and Administrative Expenses for the period May 11, 2022, to September 30, 2023, are attached hereto as Exhibit B.

As of the Closing Date, the Ancillary Receiver's administrative expenses totaled \$11,013.09, which will be reimbursed by the Texas Liquidator. These expenses constitute the actual and necessary costs of administration incurred in connection with opening the Ancillary Receivership Proceeding, including salaries, rent, professional fees, and other general administrative expenses of the Ancillary Receiver.

RELIEF SOUGHT

The Ancillary Receiver submits this Closing Report to apprise the Court that the affairs of the Highlands proceeding in New York have been completed and that it is in the best interests of the estate to close the Ancillary Receivership Proceeding at this time under the terms and conditions set forth herein. Accordingly, the Ancillary Receiver respectfully requests that the Court issue an order:

1. Approving the Closing Report;
2. Terminating and closing the Ancillary Receivership Proceeding;
3. Authorizing the Ancillary Receiver, after termination of the Ancillary Receivership Proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the Highlands estate; and
4. Releasing and discharging the Ancillary Receiver, her predecessors and successors in office, the NYLB, and their agents, attorneys, and employees, from all liability arising from their acts or omissions in connection with the Ancillary Receivership Proceeding.

Dated: New York, New York
October 24, 2023



David Axinn
Special Deputy Superintendent and
Agent of Adrienne A. Harris,
Superintendent of Financial Services of the
State of New York, as Ancillary Receiver of
Highlands Insurance Company

EXHIBIT A

5/17/2022 10:32 PM

Velva L. Price

District Clerk

Travis County

D-1-GV-03-004537

Alexus Rodriguez

Cause Number D-1-GV-03-004537

THE STATE OF TEXAS	§	IN THE DISTRICT COURT OF
	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
	§	
HIGHLANDS INSURANCE	§	53RD JUDICIAL DISTRICT
COMPANY	§	

ORDER GRANTING APPLICATION TO SET DEADLINES TO MAKE FINAL NON-GUARANTY ASSOCIATION CLASS TWO CONTINGENT OR UNLIQUIDATED CLAIMS AND TO FILE FINAL CLAIM UPDATES

On this day the Court considered the *Application to Set Deadlines to Make Final Non-Guaranty Association Class Two Contingent or Unliquidated Claims and to File Final Claim Updates* (Application) filed by Prime Tempus, Inc., Special Deputy Receiver of Highlands Insurance Company (Special Deputy Receiver and Highlands, respectively). The Application requests that May 31, 2022 be set as the deadline by which all Class 2 claimants, other than insurance guaranty association claimants, shall be required to liquidate any claim which is, in whole or in part, contingent or unliquidated, and that August 31, 2022 be set as the deadline by which final claim updates must be filed as to such claims. The Application and this Order are limited to contingent or unliquidated claims which fall under TEX. INS. CODE § 443.301(b) (Class 2).

In accordance with the *Supplemental Order of Reference to Master* entered on January 11, 2022 (Order of Reference), the Application was submitted to the Master appointed in this cause. The Master has issued a report pursuant to Rule 171 of the Texas Rules of Civil Procedure, which is incorporated herein, finding and recommending as follows:

ORDER GRANTING APPLICATION TO SET DEADLINES TO MAKE FINAL NON-GUARANTY
ASSOCIATION CLASS TWO CONTINGENT OR UNLIQUIDATED CLAIMS AND TO FILE FINAL CLAIM
UPDATES

1. Notice of the submission of the Application was provided to the parties on the service list and to all other persons requesting notice under TEX. INS. CODE § 443.007(d), as required by the Order of Reference;
2. Based on the pleadings and the evidence submitted, the Special Deputy Receiver's Application is meritorious and should be adopted; and
3. The Application and the relief requested in the Application should be in all things approved.

Having considered the pleadings, the evidence submitted, and the recommendation of the Master, the Court accepts the Master's report, and grants the Application.

1. It is therefore ORDERED, ADJUDGED and DECREED that the Court grants the Application and all relief sought therein in all respects;
2. the Court admits into evidence the Affidavit of Craig A. Koenig and its exhibits;
3. the Court sets the date of May 31, 2022 as the final date by which all Class 2 claims other than the claims of insurance guaranty associations must be liquidated and made certain, including, without limitation, as to amount claimed;
4. the Court sets the date and time of 11:59 p.m. on August 31, 2022 as the final date and time by which all Class 2 claimants who timely filed proofs of claims which were in whole or in part contingent or unliquidated claims, other than insurance guaranty associations, must file a final update as to each contingent, unliquidated and uncertain claim. This final update shall provide final valuations of all Class 2 claims which are in whole or in part contingent or unliquidated, using valuation methods such as claims estimates, present value calculations, and actuarial projections where possible, and providing detailed documentation in support of each claim asserted.

ORDER GRANTING APPLICATION TO SET DEADLINES TO MAKE FINAL NON-GUARANTY
ASSOCIATION CLASS TWO CONTINGENT OR UNLIQUIDATED CLAIMS AND TO FILE FINAL CLAIM
UPDATES

5. the Court approves use of a Final Update to Proof of Claim Form substantially similar to that form attached as Exhibit "A-1" to the Affidavit of Craig A. Koenig. Each holder of a Class 2 claim which is contingent or unliquidated, in whole or in part, must provide the information and accompanying documentation requested by the Final Update to Proof of Claim Form.
6. the Court approves use of the Final Update to Proof of Claim Form Instructions substantially similar to that form attached as Exhibit "A-2" to the Affidavit of Craig A. Koenig;
7. the Court orders and requires that the claimants must include all requested information and fully document that claim to support the facts, assumptions and claims in the Final Update to Proof of Claim Form;
8. the Court orders that the Special Deputy Receiver may determine that informal updates, past, present or future shall not suffice to satisfy the requirement of filing a completed Final Update to Proof of Claim Form;
9. the Court orders that the failure to file a Final Update to Proof of Claim Form shall constitute a basis for disallowance of the contingent or unliquidated portion of a Class 2 claim;
10. the insurance guaranty associations shall not be included in this update process;
11. this Order shall not modify or create exceptions to the General Claims Bar Date nor the Late Filed Claims Bar Date previously established by the Court, or otherwise create an opportunity to file a new proof of claim. A claimant who has not timely filed a proof of claim, or whose proof of claim has previously been disallowed or classified, is not eligible to file a final update and excuse the failure to previously file by the deadlines; and

ORDER GRANTING APPLICATION TO SET DEADLINES TO MAKE FINAL NON-GUARANTY
ASSOCIATION CLASS TWO CONTINGENT OR UNLIQUIDATED CLAIMS AND TO FILE FINAL CLAIM
UPDATES

12. the Special Deputy Receiver is authorized to provide notice to those parties who filed proofs of claim, and to incur those postage costs, copying and related expenses involved in such notice.

SO ORDERED.

Signed on this 05/17/2022

Original signed by

Judge of the District Court

PROPER NOTICE GIVEN.

NO OBJECTION FILED.

SUBMITTED

RECOMMENDED

SIGNED ON 17th DAY OF May 2022

Original signed by

TOM COLLINS, RECEIVERSHIP SPECIAL MASTER

ORDER GRANTING APPLICATION TO SET DEADLINES TO MAKE FINAL NON-GUARANTY
ASSOCIATION CLASS TWO CONTINGENT OR UNLIQUIDATED CLAIMS AND TO FILE FINAL CLAIM
UPDATES

EXHIBIT B

Highlands Insurance Company
Expenses as of September 30, 2023

Accounts	Amount as of 9/30/23
7006 - Salaries	5,355.02
7010 - Payroll Taxes	479.31
7012 - Payroll Taxes - FUTA	0.35
7014 - Payroll Taxes - SUI	9.12
7020 - Health Insurance	3,194.14
7025 - Disability Insurance	4.85
7035 - Pension Assessment	1,073.26
7070 - Labor Relations Costs	44.68
7080 - Employee Relations & Welfare	5.30
7090 - Advertising-Employment Ads	1.76
7106 - Rent-Data Storage	222.75
7107 - Rent Maiden Lane	1,247.14
7115 - Gen Office Maintenance	39.38
7206 - Legal Fees- Other	28.08
7208 - Legal Services-Fixed	65.99
7265 - Actuarial	239.50
7291 - Consulting Fees	7.55
7315 - Liability Insurance	811.14
7360 - Office Supplies	14.63
7365 - Telephone	42.99
7375 - Postage	32.21
7385 - Printing & Stationery	0.37
7405 - Travel & Travel Items	0.06
7505 - ITS Consultants	-2,593.15
7510 - Web/Internet Services	21.32
7525 - Equip Exp-ITS	5.92
7530 - Software Purchase	20.40
7535 - Software Maintenance/Lease	-49.14
7540 - Hardware Purchase/Lease	1.51
7545 - Hardware Maintenance	2.54
7661 - MCT Mobility Tax Paid	21.73
7670 - NY Sales & Use Tax	0.07
7705 - Bank Charges-Other	124.71
7765 - Payroll Services	14.56
7780 - Books and Reference Materials	1.46
7795 - Assoc Dues & Membership Fees	1.32
8025 - Moving Exp	520.26
Grand Total	11,013.09