

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

ANITA G. FOX, DIRECTOR
OF THE DEPARTMENT OF INSURANCE
AND FINANCIAL SERVICES,

Petitioner,

Case No. 19-504-CR

HON. WANDA M. STOKES

v

PAVONIA LIFE INSURANCE COMPANY
OF MICHIGAN,

[IN REHABILITATION]

Respondent.

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**EX PARTE ORDER APPROVING SETTLEMENT OF LAWSUIT AGAINST
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
BY CLAIMANTS CHARLES SCHWAB & CO., INC. AND
THE CHARLES SCHWAB CORPORATION**

At a session of said Court
held in the Circuit Courtrooms
for the County of Ingham,
State of Michigan, on the
7 day of September, 2021.

PRESENT: HONORABLE WANDA M. STOKES, CIRCUIT COURT JUDGE

WHEREAS, Anita G. Fox, Director of the Michigan Department of Insurance and Financial Services (“DIFS”) and statutory and Court-appointed Rehabilitator of Pavonia Life Insurance Company of Michigan (the “Rehabilitator”), has filed an *Ex Parte* Petition for Approval to Settle Lawsuit against Pavonia Life Insurance Company of Michigan by Claimants Charles Schwab & Co. Inc. and The Charles Schwab Corporation (the “*Ex Parte* Petition”). Specifically, on January 10, 2019, Charles Schwab & Co. Inc. and The Charles Schwab Corporation (“Claimants”) filed a Complaint against Pavonia Life Insurance Company of Michigan (“Pavonia”) and several other defendants in the Superior Court of the State of California, County of San Francisco, initiating the action entitled *Charles Schwab & Co. Inc., a California corporation and The Charles Schwab Corporation, a Delaware corporation, Plaintiffs v. Pavonia Life Insurance Company of Michigan, a Michigan corporation; Enstar (US) Inc., a Delaware corporation; Enstar Group Limited, a Bermuda company; Andesa Services, Inc., a Pennsylvania corporation; Southland National Holdings, Inc., a Delaware corporation; and DOES 1 through 50, Defendants*, Case No. CGC-19-572711 (the “Lawsuit”). On April 8, 2019, Claimants filed an Amended Complaint adding The Lincoln National Life Insurance Company, an Indiana corporation (“Lincoln”), as a defendant and removing Enstar Group Limited and Southland National Holdings, Inc. as parties;

WHEREAS, MCL 500.8115(1) governs legal actions or proceedings involving Pavonia that were pending when the Rehabilitation Order was entered and provides, *inter alia*, that “[t]he rehabilitator shall take action respecting the

pending litigation as he or she considers necessary in the interests of justice and for the protection of creditors, policyholders, and the public”;

WHEREAS, with respect to claims against Pavonia arising after entry of the Rehabilitation Order, MCL 500.8114(2) and the Rehabilitation Order authorize the Rehabilitator to “take such action as she considers necessary or appropriate to reform or revitalize Pavonia.” In addition, this statute, as incorporated by the Rehabilitation Order, grants the Rehabilitator “full power and authority to direct and manage Pavonia . . . and to deal in totality with the property and business of” the company; and

WHEREAS, the Rehabilitator has determined that settlement of the Lawsuit in the amount indicated in the *Ex Parte* Petition and on the terms contained in the parties’ settlement agreement is necessary and appropriate, is in the interests of justice, and will promote the protection of Pavonia’s creditors, policyholders, and the public;

NOW, THEREFORE, IT IS HEREBY ORDERED that the Court APPROVES the settlement of the Lawsuit described above and in the *Ex Parte* Petition, authorizes payment to Claimants of the settlement amount of \$2,000,000 from the funds of Pavonia, and authorizes the Rehabilitator and Special Deputy Rehabilitators to execute any necessary documentation and take such other action required to finalize the settlement.

IT IS FURTHER ORDERED that due to the difficulty and prohibitive cost associated with personally serving the *Ex Parte* Petition and this Order on any

individuals or entities that may have a general interest in Pavonia's rehabilitation, the Court authorizes, approves, and/or ratifies the Rehabilitator's service of the *Ex Parte* Petition and this Order by posting electronic copies on the DIFS website, www.michigan.gov/difs, under the section "Who We Regulate," the subsection "Receiverships," and the sub-subsection, "Pavonia Life Insurance." The Court finds that service in this manner is reasonably calculated to give potentially interested individuals and entities actual notice of these proceedings and is otherwise reasonable under the circumstances.

IT IS FURTHER ORDERED that as provided in the settlement agreement, Pavonia (through the Deputy Rehabilitators) will only pay the Court-approved settlement amount to Claimants after twenty-one (21) calendar days have elapsed following entry of this approval Order, which is the applicable appeal period (the "Appeal Period"). Accordingly: (a) any potentially interested individual or entity will receive notice of the *Ex Parte* Petition and this Order through the DIFS website posting; (b) any such individual or entity having standing can timely object to or appeal this Order during the Appeal Period; and (c) Pavonia (through the Deputy Rehabilitators) will not pay the Court-approved settlement amount to Claimants until the Appeal Period has expired, or if a valid objection or appeal has been timely filed, until such objection or appeal is fully and finally resolved. The Court finds that this procedure provides additional due process and ensures the ability of individuals or entities having standing to timely object to or appeal this approval Order.

IT IS SO ORDERED.

This Order does not resolve the last pending claim and does not close this case.

Wanda M. Stokes

Honorable Wanda M. Stokes
Circuit Court Judge

9/2/2021