

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,

v

PAVONIA LIFE INSURANCE COMPANY  
OF MICHIGAN,

Respondent.

Case No. 19-504-CR

HON. WANDA M. STOKES

[IN REHABILITATION]

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***EX PARTE* ORDER APPROVING SETTLEMENT OF  
INDEMNIFICATION CLAIMS BETWEEN  
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN AND  
ENSTAR (US) INC.**

At a session of said Court  
held in the Circuit Courtrooms  
for the County of Ingham,  
State of Michigan, on the  
22 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 Indemnification Claims between Pavonia Life Insurance Company of Michigan and Enstar (US) Inc. (the “*Ex Parte* Petition”). Specifically, and as set forth in more detail in the *Ex Parte* Petition, Pavonia Life Insurance Company of Michigan (“Pavonia”) and Enstar (US) Inc. (“Enstar”) have made indemnification claims against each other in connection with the lawsuit filed by Charles Schwab & Co. Inc. and The Charles Schwab Corporation related to two corporate-owned life insurance policies (the “Lawsuit”). Although the Lawsuit was settled by the parties thereto and the Court approved that principal settlement agreement by Order dated September 7, 2021, the *Ex Parte* Petition seeks the Court’s additional approval of a separate settlement agreement entered into between Pavonia and Enstar under which the parties have agreed to release each other from, *inter alia*, the indemnification claims made between them and all claims relating to the Lawsuit, in exchange for Enstar’s payment of \$200,000 to Pavonia;

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 involving 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 and Special Deputy Rehabilitators have determined that settlement of the indemnification claims between Pavonia and Enstar 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 indemnification claims between Pavonia and Enstar, as described above and in the *Ex Parte* Petition; authorizes Enstar’s payment to Pavonia as set forth in the *Ex Parte* Petition and the parties’ settlement agreement; and authorizes the Rehabilitator and Special Deputy Rehabilitators to execute any necessary documentation and take such other action required to finalize the settlement.

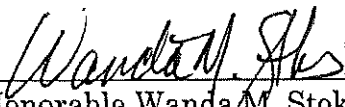
**IT IS FURTHER ORDERED** that due to the difficulty and prohibitive cost associated with personally serving the *Ex Parte* Petition and this Order on any

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](http://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 Enstar will only pay the Court-approved settlement amount to Pavonia 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) Enstar will not pay the Court-approved settlement amount to Pavonia 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.

  
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Honorable Wanda M. Stokes  
Circuit Court Judge

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