

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, NOVEMBER 3, 2016

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COMMONWEALTH OF VIRGINIA, *ex rel.*
STATE CORPORATION COMMISSION,
Applicant

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SOUTHERN TITLE INSURANCE CORPORATION,
Respondents

CASE NO. INS-2016-0024

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SCHEDULING ORDER SETTING CONTINGENT HEARING, APPROVING NOTICE
PROCEDURES, ESTABLISHING RESPONSE DATE AND APPROVING PROPOSED
ASSUMPTION AGREEMENT

On October 4, 2016, Jacqueline K. Cunningham, Commissioner for the State Corporation Commission's ("Commission") Bureau of Insurance, in her capacity as Deputy Receiver ("Deputy Receiver") of Southern Title Insurance Corporation ("Southern Title"), submitted her Application for Orders Setting Contingent Hearing, Approving Notice Procedures, Establishing Response Date, and Approving Proposed Assumption Agreement ("Application"). The Application asked that the Commission enter: (1) an order setting a contingent hearing on the proposed assumption agreement ("Contingent Hearing"), establishing response dates for those persons wishing to oppose the Application, and approving notice procedures for the Assumption Hearing; and (2) following the Contingent Hearing, or after the deadline for filing Notices of Objection if no such notices are filed, a final order approving the Assumption Agreement, as requested, and granting such other relief as the Commission may deem proper.

In support of the Application, the Deputy Receiver states that the Commission's July 29, 2014 Order of Liquidation With a Finding of Insolvency ("Liquidation Order"), authorizes the Deputy Receiver to contract with third parties for the assumption of any of the

remaining obligations and contingencies of Southern Title in exchange for reasonable consideration, and to take all steps necessary and appropriate to liquidate and dissolve Southern Title as soon as reasonably practicable. In furtherance of this objective, the Deputy Receiver seeks the Commission's approval of the proposed Assumption Agreement which provides continued title insurance coverage to Texas policyholders.

The parties to the Assumption Agreement, in addition to Southern Title, are the Texas Title Insurance Guaranty Association ("TTIGA") and First National Title Insurance Company ("First National"). The Assumption Agreement provides for First National to assume liabilities of TTIGA for all policies of title insurance issued by Southern Title covering property located within the state of Texas as of a date set in accordance with the terms of the Assumption Agreement ("Assumption Date"). In addition, First National will assume the claims filed after the Claims Filing Deadline established by the Commission's Liquidation Order ("Late Filed Claims"). First National will not assume liability for any other claims known by Southern Title and TTIGA prior to the Assumption Date.

In consideration for the assumption of the liabilities by First National, TTIGA will pay \$4,974,000 for the statutory reserves, and an additional sum for the Late Filed Claims recorded prior to the execution of the Assumption Agreement. TTIGA will have no claim against Southern Title and its receivership estate for reimbursement of any amounts paid to First National.

The Deputy Receiver asserts that the Assumption Agreement provides claimants under Texas policies with insurance coverage for claims arising after the Assumption Date, and that, without the Assumption Agreement, such claimants would hold Late Filed Claims against the receivership estate and face the expectancy that such claims would not be paid. In addition, the

entirety of the consideration to be paid to First National for its assumption of the Assumed Policies and associated liabilities is being borne by TTIGA and its member companies, therefore implementation of the Assumption Agreement will have no impact on the assets of the receivership estate.

NOW THE COMMISSION, having considered the Application, hereby sets a Contingent Hearing on the Application's request for approval of the assumption agreement, to be held only in the event that written opposition to the Application is timely filed pursuant to the response date and procedures prescribed herein.

Accordingly, IT IS ORDERED THAT:

(1) In accordance with § 12.1-31 of the Code of Virginia, a Hearing Examiner shall conduct all further proceedings, if any, in this matter on behalf of the Commission, concluding with the filing of the Hearing Examiner's report to the Commission, if a hearing is held.

(2) The Contingent Hearing on the Application for Approving the Proposed Assumption Agreement is hereby set for January 19, 2017, in the second floor courtroom of the State Corporation Commission, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219.

(3) Beginning no later than forty-five (45) days before the scheduled date of the Contingent Hearing, the Deputy Receiver shall publish notice of the Contingent Hearing, including a summary and instructions on how to obtain a copy of this Order, on Southern Title's Website.

(4) Moreover, no later than forty-five (45) days before the scheduled date of the Contingent Hearing, the Deputy Receiver shall send a copy of this Order to all parties who have registered with the Deputy Receiver for receipt of receivership communications.

(5) All persons opposing the relief requested by the Application shall present their objections at the Contingent Hearing and shall file with the Commission, and simultaneously serve upon the Deputy Receiver and all other parties of record, no later than thirty (30) days before the scheduled date of the Contingent Hearing, a Notice of Objection, which shall contain (i) a precise statement of the interest of the respondent; (ii) a statement of the specific relief sought, to the extent then known; (iii) the factual and legal basis for the objection; and (iv) the prepared testimony and exhibits of each witness expecting to present direct testimony in opposition to any relief sought by the Deputy Receiver.

(6) All Notices of Objection and all other pleadings or related documents shall be filed with the Commission electronically in the manner prescribed by the Commission's Guidelines for Electronic Document Filing, <http://scc.virginia.gov/clk/efilings/Guidelines.aspx>, or by delivering the original and fifteen (15) copies to the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Service on the Deputy Receiver shall be made by delivering one (1) complete copy of any required filing to counsel for the Deputy Receiver, Patrick H. Cantilo, Esquire, Cantilo & Bennett, L.L.P., 11401 Century Oaks Terrace, Suite 300, Austin, Texas 78758, and electronically to service@cb-firm.com on or before the date required for filing with the Commission.

(7) Service of all Notices of Objection and other documents upon the Deputy Receiver shall be directed to John O. Cox, Associate General Counsel, Office of General Counsel, State Corporation Commission, 1300 E. Main Street, Richmond, Virginia 23219, and to the Deputy Receiver's counsel, Patrick H. Cantilo, Cantilo & Bennett, L.L.P., 11401 Century Oaks Terrace, Suite 300, Austin, Texas 78758, and also be required to be provided to said counsel on the day of filing by electronic mail to service@cb-firm.com.

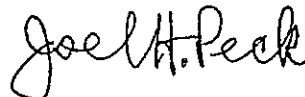
(8) In the event that no party files a Notice of Objection to the Proposed Transaction, the Contingent Hearing shall not be held and the Commission shall decide the matter without holding a hearing.

(9) These proceedings shall be subject to the Commission's Rules of Practice and Procedure to the extent not modified by order of the Commission.

(10) This case is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219; and a copy hereof shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Commissioner Jacqueline K. Cunningham.

A True Copy
Teste:



Clerk of the
State Corporation Commission