

CANTILO & BENNETT, L.L.P.

ATTORNEYS & COUNSELORS

*A Texas Registered Limited Liability Partnership
Comprised of Professional Corporations*

11401 Century Oaks Terrace

Suite 300

Telephone: (512) 478-6000

Austin, Texas 78758

Facsimile: (512) 404-6550

www.cb-firm.com

October 4, 2013

VIA ELECTRONIC FILING

The Honorable Joel H. Peck, Clerk
State Corporation Commission
Tyler Building - 1st Floor
1300 East Main Street
Richmond, Virginia 23219

ATTN.: DOCUMENT CONTROL CENTER

Re: Commonwealth of Virginia ex rel. State Corporation Commission v. Southern Title Insurance Corporation; Case No. INS-2011-00239; Our File No. 62000-002

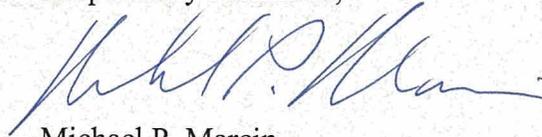
Dear Mr. Peck:

On behalf of the Jacqueline K. Cunningham, Deputy Receiver of Southern Title Insurance Corporation, please find attached for e-filing the following pleading:

**APPLICATION FOR ORDERS SETTING HEARING ON
LIQUIDATION OF SOUTHERN TITLE INSURANCE CORPORATION,
ESTABLISHING RESPONSE DATES, ORDERING LIQUIDATION,
APPROVING CLAIMS FILING DEADLINE, AND RELATED MATTERS**

Thank you for your kind assistance in regard to this matter. Please let us know if you have any questions.

Respectfully submitted,



Michael P. Marcin

Counsel to the Deputy Receiver

MPM:jmw
Attachment

cc: All Parties of Record

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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

Applicant,

v.

SOUTHERN TITLE INSURANCE
CORPORATION

Respondent.

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Case No. INS-2011-00239

**APPLICATION FOR ORDERS SETTING HEARING ON
LIQUIDATION OF SOUTHERN TITLE INSURANCE CORPORATION,
ESTABLISHING RESPONSE DATES, ORDERING LIQUIDATION,
APPROVING CLAIMS FILING DEADLINE, AND RELATED MATTERS**

TO THE HONORABLE JUDGES OF THE COMMISSION:

Jacqueline K. Cunningham, Commissioner of Insurance, Bureau of Insurance, State Corporation Commission of the Commonwealth of Virginia (the “Commission”), in her capacity as Deputy Receiver (the “Deputy Receiver”) of Southern Title Insurance Corporation (“Southern Title” or the “Company”), in receivership, pursuant to VA. CODE ANN. § 38.2-1519 (Michie 2002)¹ and 5 VAC 5-20-80, respectfully makes this her Application for Orders Setting Hearing on Liquidation of Southern Title Insurance Corporation, Establishing Response Dates, Ordering Liquidation, Approving Claims Filing Deadline, and Related Matters (the “Application”), seeking that the Commission enter orders: (1) setting a hearing on the proposed liquidation of Southern Title and other relief sought herein by the Deputy Receiver and for consideration of any other matters raised by the Deputy Receiver in relation to this Application (the “Liquidation Hearing”); (2) establishing response dates for those persons wishing to oppose the Application;

¹ All references herein are to the Virginia Code unless specified otherwise.

(3) approving notice procedures for the Liquidation Hearing and other receivership proceedings; and (4) after the Liquidation Hearing entering an Order of Liquidation declaring Southern Title to be insolvent, approving the proposed claims filing deadline, authorizing use of the unearned premium reserve (“UPR”) in accordance with section 38.2-4613 and addressing all related matters for the liquidation as described herein. In support of the Application, the Deputy Receiver would show the Commission the following:

I. BACKGROUND

1. On December 20, 2011, in the case styled Commonwealth of Virginia ex rel. State Corporation Commission v. Southern Title Insurance Corporation and Manju S. Ganeriwala, Treasurer of Virginia, Case No. CL11-5660-RDT, the Circuit Court of the City of Richmond, Virginia (the “Court”), found Southern Title to be in a condition where any further transaction of business would be hazardous to the insureds, policyholders, creditors, and the public. Therefore, pursuant to section 38.2-1501 *et seq.*, the Court issued its Final Order Appointing Receiver for Rehabilitation or Liquidation (the “Receivership Order”), appointing the Commission as Receiver of Southern Title.

2. On the same date, the Commission entered its Order Appointing Deputy Receiver for Conservation and Rehabilitation, pursuant to section 38.2-1501 *et seq.*, and appointed Commissioner Cunningham as Deputy Receiver of Southern Title. Pursuant to authority granted in the Receivership Order, the Deputy Receiver’s First Directive appointed Donald C. Beatty, Senior Counsel in the Commission’s Office of General Counsel, as Special Deputy Receiver of Southern Title.

3. In the Receivership Order, the Court found that Southern Title was an insurer for purposes of section 38.2-1501 *et seq.* The Court also found that Southern Title was engaged in the business of making insurance contracts involving the issuance of title insurance and was thereby engaged in the business of insurance as defined by section 38.2-100.

4. Due to the hazardous financial condition of Southern Title, the Court in its Receivership Order authorized and directed the Deputy Receiver and Special Deputy Receiver to administer the business and affairs of Southern Title and to do all acts necessary or appropriate for the rehabilitation or liquidation of Southern Title. Pursuant to the Receivership Order, the Deputy Receiver and Special Deputy Receiver are vested, *inter alia*, with all the powers and authority expressed or implied under the provisions of section 38.2-1501 *et seq.*

5. On April 10, 2013, Southern Title filed its annual financial statement with the Bureau of Insurance, reflecting its financial condition as of December 31, 2012 (the “Annual Statement”). The Annual Statement reflects that, as of that date, Southern Title’s liabilities exceeded its admitted assets by at least \$30.4 million. The Deputy Receiver has determined that Southern Title’s liabilities in all probability will continue to exceed its admitted assets by at least \$30.4 million, and that it is unable to pay its obligations as they come due in the ordinary course of its business. The Deputy Receiver therefore submits that Southern Title is insolvent as defined in section 38.2-1501.

6. Pursuant to the Receivership Order and applicable Virginia law, the Deputy Receiver and Special Deputy Receiver have devoted their efforts to marshaling the assets and discharging the liabilities of Southern Title. The Deputy Receiver has continued managing the affairs of Southern Title with the principal intent of protecting its insureds and creditors. In this

regard, after commencement of the receivership, the Deputy Receiver instituted an informal moratorium on the payment of all claims with the exception of claims for the payment of administrative expenses and certain defense costs incurred in the mitigation of claim losses. This moratorium was established in order to facilitate a thorough evaluation of the Company's financial condition and prevent unlawful preferences. Based upon the Company's noted insolvency and the ongoing evaluation of the Company's financial condition, the Deputy Receiver determined that the moratorium on claim payments should continue on a formal basis (excepting only the payment of administrative expenses) and therefore issued the Third Directive of Deputy Receiver Imposing Suspension and Moratorium ("Third Directive") to be maintained until such a time as payments can be resumed in accordance with the Commission's orders. Upon concluding a further analysis of the Company's financial condition, the Deputy Receiver expects to make a separate application for the Commission's order setting an initial payment percentage for policyholder claims arising out of Southern Title insurance contracts.

7. As management of Southern Title's affairs in receivership progresses, the Deputy Receiver believes that it is important that plans be adopted and approved for the eventual disposition of all of the estate's affairs, including all assets and liabilities. As a starting point, the Deputy Receiver articulates the fundamental goals underlying her analysis of how best to conclude this receivership. The first goal is to use the remaining assets of Southern Title to pay all creditors of Southern Title, to the extent possible, in the order of priority promulgated in sections 38.2-1509 and 38.2-4613(C), and as directed in the Commission's orders. Second, contingent and unsettled claims must be resolved and liquidated, or reinsurance must be acquired to cover all such outstanding claims. Third, disputes arising from contested claims must be

brought to final resolution. Fourth, adequate provision must be made for taxes of higher priority and other such liabilities. Fifth, a determination must be made pursuant to section 38.2-1519 as to whether further efforts to rehabilitate Southern Title would be futile and liquidation should be sought.

8. The Deputy Receiver has developed and implemented receivership management protocols to identify and resolve all claims of known creditors in all the categories identified in sections 38.2-1509 and 38.2-4613(C) substantially satisfying the first three goals identified in the preceding paragraph.

9. Identification and resolution of tax and similar actual and potential liabilities also depends significantly on the nature and elements of the final wind-down plans. Until such plans are adopted, an effective program for resolving tax and similar liabilities cannot be implemented with sufficient certainty.

10. Due to Southern Title's noted insolvency, the Company's financial assets are insufficient to make full payment on its obligations to insureds under title insurance policies. Furthermore, the ability to obtain sufficient reinsurance coverage to pay all outstanding claims is questionable. As such, the financial assets of the Company are insufficient to pay any amount on claims of a priority lower than that of policyholder claims arising out of insurance contracts, thus eliminating any ability for the Company to continue as a viable business.

11. For these reasons, the Deputy Receiver has concluded that further efforts at rehabilitation would be futile. Accordingly, she has devoted attention to the development of a plan of liquidation and hereby seeks the Commission's approval of such plan, the intent of which

is to implement the orderly wind-down and dissolution of Southern Title's affairs, with due regard to the interests of affected constituencies.

II. THE PLAN OF LIQUIDATION

12. The Deputy Receiver has devised a proposed plan of liquidation (the "Liquidation Plan"), focused principally on marshaling Southern Title's assets and allocating and distributing them among its creditors in accordance with applicable priorities, and the subsequent wind-down and liquidation of its affairs.

13. The rights and liabilities of creditors, policyholders, insureds, stockholders, members, and all other persons interested in the property and assets of Southern Title will be fixed as of the date of the entry of the Order of Liquidation. VA. CODE ANN. § 38.2-1512 (Michie 2001); see also Receivership Order ¶ 21.

14. Chief among the matters addressed by the Deputy Receiver's proposed Liquidation Plan are: (a) establishment of notice procedures for the receivership proceedings including, but not limited to, notice of the Liquidation Hearing and notice of the claims filing deadline; (b) establishment of the claims filing deadline for all of the obligations of Southern Title; and (c) authorization to use assets equal to the UPR in accordance with Virginia Code section 38.2-4613.

A. NOTICE PROCEDURES FOR THE RECEIVERSHIP PROCEEDINGS

15. The Deputy Receiver, in preparing for the requisite communications to inform interested parties of the status of receivership proceedings, has determined that Company records

do not include actual mailing addresses for the vast majority of Southern Title policyholders.² In most instances, instead of providing the actual mailing addresses for policyholders, Company records provide only the legal description for the property covered by the title insurance. In this regard, the Deputy Receiver has further determined that conversion of the legal descriptions to actual mailing addresses is a costly and labor-intensive process requiring research of property closing files, county land office or tax assessor records, and other public records maintained by governing authorities. Therefore, due to the severely limited nature of assets available to pay policyholder claims, the Deputy Receiver proposes to issue direct written notice in the following manner:

- a. The Deputy Receiver will provide direct written notice of the Liquidation Hearing (“Notice of Liquidation Hearing”) to all creditors, claimants, and policyholders for whom Company records provide a valid mailing address.
- b. In addition to the direct written notice as proposed above, the Deputy Receiver proposes to publish the following notices for one day each week for two consecutive weeks in the local and national publications specified in the attached Schedule of Publications:
 - i. Notice of Liquidation Hearing and Scheduling Order,
 - ii. Notice of the claims filing deadline with proof of claim instructions and notice of any other orders entered at the conclusion of the Liquidation Hearing, and

² The Deputy Receiver has identified actual physical addresses for approximately ten percent (10%) of Southern Title policyholders.

- iii. Notice of any extension of the claims filing deadline.
- c. All publication notices will be of a form reasonably calculated to provide sufficient notice to any claimant, creditor, or policyholder who does not receive direct notice by United States mail or electronic mail of the Liquidation Hearing and Scheduling Order, claims filing deadline (and any extension thereof), and proof of claim instructions.
- d. All direct and publication notices issued by the Deputy Receiver shall advise potential claimants to consult with legal counsel for the protection of their rights and interests under insurance policies issued by Southern Title or in the receivership proceedings.
- e. The Deputy Receiver requests that the Commission authorize the use of electronic mail in order to provide requisite notice to any claimant, creditor, or policyholder for which Southern Title maintains a valid electronic mail address in the books and records for the Company.
- f. With dissemination of the Notice of Liquidation Hearing as provided for above, the Deputy Receiver will advise creditors, claimants, and policyholders that in order to receive any future direct written notice or information regarding the receivership proceedings including, but not limited to, notice of the claims filing deadline, as well as notice of any other orders entered at the conclusion of the Liquidation Hearing, such interested parties must first register with the Deputy Receiver by submitting a completed registration form wherein they must elect a

delivery method for such notices (electronic mail or United States mail) and provide the appropriate e-mail or physical address. The registration form may be completed and submitted online at www.southerntitle.com, or it may be completed in physical form and mailed to Southern Title at P.O. Box 399, Richmond Virginia 23218 or faxed to (804) 644-4032. The Deputy Receiver submits that the restriction of actual written notice to only those parties who properly register with the Deputy Receiver is necessary in order to conserve the limited assets of the estate available for the payment of policyholder claims. Interested parties failing to register for direct written notice should periodically visit the receivership web site (www.southerntitle.com) for updates regarding the status of the receivership proceedings.

16. Importantly, the Notice of Liquidation Hearing will be issued by the Deputy Receiver subsequent to entry of the Commission's Scheduling Order and represents the initial direct communication to all creditors, claimants, and policyholders. In addition to providing notice of the date set by the Commission for the Liquidation Hearing and information advising interested parties of procedures for participating in the Liquidation Hearing, the Notice of Liquidation Hearing must also advise interested parties of the registration requirement for issuance of any future direct written notice if approved by the Commission as proposed herein. As such, the Deputy Receiver requests that the Commission approve the proposed registration requirement with entry of its Scheduling Order for the Liquidation Hearing.

B. CLAIMS FILING DEADLINE

17. In order to bring finality to Southern Title's financial affairs, and in furtherance of the liquidation, the Deputy Receiver submits that it is both necessary and appropriate to establish a deadline for filing all claims against Southern Title, including contingent claims ("Claims Filing Deadline"), with the exception of the following two specifically enumerated types of claims, which would not be subject to the Claims Filing Deadline:

- a. Claims arising under policies of insurance issued by Southern Title that have already been submitted properly to Southern Title or the Deputy Receiver (the "Pending Claims"); and
- b. Proper administrative expense claims (*e.g.*, claims for payment of services rendered, or goods supplied, to Southern Title at the request of the Deputy Receiver after December 20, 2011 (the "Administrative Claims")).

18. The Deputy Receiver submits that the Claims Filing Deadline should be established as part of the Liquidation Hearing. In this regard, the Deputy Receiver further submits that the Claims Filing Deadline should be set at six (6) months following the date of the Commission's order entered at the conclusion of the Liquidation Hearing. As support for the six (6) month claim period, the Commission should note that it has been more than one year since Southern Title was ordered to cease issuing title insurance policies and that such policies provide coverage only for certain defects in title which existed at the time of the closing of the real estate transaction. As such, the six (6) month claim period provides all policyholders with a reasonable opportunity to review title for covered property and, when appropriate, to file claims against Southern Title in a timely manner.

19. The Claims Filing Deadline is necessary for distribution of assets equal to the UPR under section 38.2-4613(C)(ii). Southern Title's UPR liability is equal to approximately two-thirds of the current assets of the Company, and therefore, the majority of assets held by Southern Title should be designated for distribution according to section 38.2-4613(C). After payment of administrative expenses incurred in connection with the receivership, the assets designated for distribution under section 38.2-4613(C) will be applied proportionately to allowed policyholder claims pending at the time fixed by the Commission, the Claims Filing Deadline.

20. The Deputy Receiver requests authority, in her reasonable discretion as part of the liquidation, to extend the Claims Filing Deadline by up to one year. The Deputy Receiver also requests approval for a requirement that all claims against Southern Title, except Pending Claims and Administrative Claims, be filed before the Claims Filing Deadline, and that she be authorized to promulgate reasonable requirements for the method of presentment and for perfecting such claims including, but not limited to, the requirement that all claims be rendered certain, liquidated, and non-contingent within a reasonable time following initial presentment but no more than one year following expiration of the Claims Filing Deadline. In addition, she requests that approved claims filed after the Claims Filing Deadline (including contingent claims), with the exception of Pending Claims and Administrative Claims, ("Late Filed Claims") be subordinated in payment to all timely filed claims, but only with respect to that portion of such Late Filed Claims scheduled to be paid from non-UPR fund sources.

21. As more fully discussed above with the notice procedures for receivership proceedings, the Deputy Receiver proposes to provide direct written notice of the Claims Filing Deadline (and any extension thereof) and proof of claim instructions to all interested parties

properly registering with the Deputy Receiver upon submission of the required registration form. The Deputy Receiver also proposes to publish this information for one day each week for two consecutive weeks in the local and national publications specified in the attached Schedule of Publications and in a form reasonably calculated to provide sufficient notice to any interested party who does not receive direct written notice by United States mail or electronic mail of such Claims Filing Deadline and proof of claim instructions.

C. AUTHORIZATION TO USE ASSETS EQUAL TO THE UPR IN ACCORDANCE WITH VIRGINIA CODE SECTION 38.2-4613

22. As required of all title insurance companies operating in the Commonwealth of Virginia, Southern Title maintained a UPR as required by section 38.2-4610.1. Once the Receivership Order was entered, the Deputy Receiver for Southern Title was entitled to request authorization to use estate assets equal to the UPR to further secure or pay policyholder claims in accordance with section 38.2-4613.

23. The Deputy Receiver submits that for the application of section 38.2-4613, the value of the UPR was fixed as of December 20, 2011, the date of entry of the Receivership Order. As such, all references to the UPR herein refer to the value of the UPR on the date the Receivership Order was entered, \$9,974,279.

24. Pursuant to section 38.2-4613(B), the Deputy Receiver requests authorization to enter into contracts for the reinsurance of obligations under the outstanding title insurance policies of Southern Title and to use assets equal to the UPR to pay for the costs of such reinsurance. If the Deputy Receiver is able to secure reinsurance for Southern Title's insurance obligations, she further requests authority to use assets equal to the UPR to pay any claims for

losses sustained by policyholders prior to the time reinsurance is effected, to the extent that such losses are in excess of the loss or claim reserves available for their payment.

25. If no contract of reinsurance can be effected, the Deputy Receiver requests authorization to use assets equal to the value of the UPR for distribution and use according to the terms of section 38.2-4613(C) to (i) pay expenses incurred under section 38.2-4613 in connection with the receivership or rehabilitation proceedings; (ii) pay all allowed and unpaid claims for losses sustained by policyholders pending as of the Claims Filing Deadline; and (iii) pay all claims for losses filed after the Claims Filing Deadline as they are allowed by the Deputy Receiver, and until such UPR funds are exhausted, or if not exhausted, until December 20, 2031, twenty years after the Receivership Order was entered. In the unlikely event that funds remain after December 20, 2031, such funds shall be made a part of the general assets of the estate and distributed according to section 38.2-1509.

26. Upon granting the authorization to use assets equal to the UPR, the Deputy Receiver further requests that Southern Title be allowed to cease reporting the UPR on its financial statements according to the formula contained in section 38.2-4610.1(F), and to instead report the UPR as the amount authorized for use herein, less any funds distributed pursuant to section 38.2-4613(B)-(C).

27. In summary, the Deputy Receiver seeks authority by order of the Commission for implementation of the proposed liquidation plan for Southern Title, pursuant to which she would:

- a. Establish the Claims Filing Deadline for all of Southern Title's obligations, and mail and publish notices of such Claims Filing Deadline to all interested parties, as described in greater detail above;

- b. Promulgate reasonable requirements for the method of presentment and for perfecting claims including, but not limited to, the following: that all claims be rendered certain, liquidated, and non-contingent within a reasonable time following initial presentment but no more than one year following expiration of the Claims Filing Deadline;
- c. Continue managing the affairs of Southern Title until such time as it is liquidated and dissolved;
- d. Administer assets equal to Southern Title's UPR as of December 20, 2011, pursuant to section 38.2-4613 to operate the receivership and to obtain reinsurance to pay all policyholder claims, and if none is effected, to pay in the following order of preference:
 - i. Expenses incurred in connection with receivership or rehabilitation proceedings;
 - ii. All allowed and unpaid claims for losses sustained by policyholders pending as of the Claims Filing Deadline; and
 - iii. All claims for losses filed after the Claims Filing Deadline as they are allowed, and until such UPR funds are exhausted, or if not exhausted, until December 20, 2031, twenty years after the Receivership Order was entered. In the event funds remain after December 20, 2031, such funds shall be made a part of the general assets of the estate and distributed according to section 38.2-1509;

- e. Administer all non-UPR funds according to sections 38.2-1509(B)(1) and 38.2-1510 in the following order of preference:
- i. Paying the costs and expenses of administration, pursuant to sections 38.2-1509(B)(1) and 38.2-1510, including the costs of curative actions taken to resolve title defects that, if left uncured, might give rise to claims under insurance policies issued by Southern Title;
 - ii. Adjudicate and pay from non-UPR designated funds, the claims of all secured creditors with a perfected security interest not voidable under section 38.2-1513 to the extent of the value of their security; however, the Deputy Receiver does not believe that Southern Title has any secured creditors;
 - iii. Adjudicate and pay, on a *pro rata* basis, to the extent assets are available, the timely filed and liquidated claims of insurance guaranty associations for “covered claims” and “contractual obligations,” as defined in the provisions of applicable statutes, and the timely filed and liquidated claims of other policyholders arising out of Southern Title insurance contracts, apportioned without preference, such payments to be made from Southern Title assets in accordance with Commission orders;
 - iv. To the extent non-UPR assets are available, pay taxes owed to the United States and other debts owed to any person, including the

United States, which by the laws of the United States are entitled to priority;

- v. To the extent non-UPR assets are available, adjudicate and pay claims for wages entitled to priority as provided in section 38.2-1514;
 - vi. Be authorized to maintain a reserve in an amount she deems adequate for claims, costs, expenses, unknown claims, and contingencies, over and above any existing reserves for insurance obligations, until final liquidation of Southern Title;
 - vii. To the extent non-UPR assets are available, adjudicate and pay, on a *pro rata* basis, the claims of all other creditors; and
 - viii. To the extent non-UPR assets are available, adjudicate and pay, on a *pro rata* basis, that portion of all Late Filed Claims scheduled to be paid from non-UPR fund sources.
- f. The costs and expenses of administration and the costs for payment of policyholder claims should be allocated between UPR and non-UPR assets in the proportion those assets bear to the value of all estate assets;
- g. In the event that she is unable to find any particular person owed funds by Southern Title, deliver such unclaimed funds to the custody of the state of that person's last known address, as shown by Southern Title's books and records, pursuant to the procedures established by that state's unclaimed property laws;

- h. Be authorized to create a trust to hold any unclaimed funds if the applicable state's unclaimed property laws did not permit her to deliver any such unclaimed funds to the relevant states prior to the date that Southern Title ceases to exist and the receivership would terminate;
- i. Be authorized to cause a third party or contractor to assume Southern Title's remaining obligations and contingencies of Southern Title in exchange for reasonable consideration, and be authorized to obtain an independent opinion from an actuarial or accounting firm regarding the reasonableness of consideration paid for the assumption of Southern Title's obligations or contingencies; and
- j. Take all steps necessary and appropriate to liquidate and dissolve Southern Title as soon as reasonably practicable.

III. LIQUIDATION HEARING

28. The Deputy Receiver requests that the Commission schedule a hearing for consideration of the foregoing.

29. The Deputy Receiver requests that the Commission set the Liquidation Hearing at the earliest possible date upon the request for a finding of insolvency, Order of Liquidation, approval of the proposed Claims Filing Deadline and notice procedures related thereto and addressing all related matters for the liquidation of Southern Title.

30. Any party opposed to any of the relief sought in this Application should be required to present such opposition at the Liquidation Hearing and to provide to the Commission, the Deputy Receiver, and counsel for the Deputy Receiver, no later than thirty (30) days before

the Liquidation Hearing, notice of such opposition, with a full statement as to the basis therefor, and a list of anticipated witnesses, the substance of the anticipated testimony, and a list of exhibits to be offered in support of the opposition. The statement of the basis for the opposition shall contain at least (i) a precise statement of the interest of the respondent; (ii) a statement of the specific relief sought, to the extent then known; and (iii) the factual and legal basis for the relief sought. The statement of opposition should be deemed filed with the Commission only upon receipt of the original and fifteen (15) copies thereof by the Clerk of the Commission at the following address: State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218, and delivery of one complete copy of any such filing to each of the Deputy Receiver, Jacqueline K. Cunningham, at P.O. Box 399, Richmond, Virginia 23218, and counsel for the Deputy Receiver, Michael P. Marcin, CANTILO & BENNETT, L.L.P., 11401 Century Oaks Terrace, Suite 300, Austin, Texas 78758, on or before the date required for filing with the Commission.

31. The Deputy Receiver submits that a reasonable time for the Liquidation Hearing would be sixty (60) days following publication and distribution of notice of the date thereof.

32. No later than sixty (60) days before the Liquidation Hearing, the Deputy Receiver would provide written notice of the Liquidation Hearing by publication, United States mail, or by electronic mail pursuant to the procedures outlined at paragraph 15 above.

WHEREFORE, PREMISES CONSIDERED, the Deputy Receiver requests:

1. A Scheduling Order:
 - a. Approving the proposed procedures for providing notice to interested parties regarding the Liquidation Hearing and other receivership proceedings;

- b. Setting a Liquidation Hearing for the consideration of all relief requested in the Application including the requested approval of the finding of insolvency, Order of Liquidation and approval of the proposed Claims Filing Deadline;
- c. Approving sixty (60) days' notice of the Liquidation Hearing by United States mail, electronic mail, and publication as proposed in this Application;
- d. Approving such notices by publication for the Liquidation Hearing as sufficient notice, in lieu of notice by United States mail or electronic mail, if the Deputy Receiver reasonably believes that the person's last known address is no longer valid or that a proper address cannot be identified without undertaking labor intensive efforts;
- e. Directing all persons who expect to appear at the Liquidation Hearing for the purpose of opposing any of the requested relief, no later than thirty (30) days before the Liquidation Hearing, to file with the Commission, and provide a copy to the Deputy Receiver and her counsel, a Notice of Participation as Respondent, 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; and (iii) the factual and legal basis for the relief sought;
- f. Directing that such Notice of Participation as Respondent in the Liquidation Hearing shall also include the prepared testimony and exhibits

of each witness expecting to present direct testimony in opposition to any of the requested relief; and

- g. Providing that all Notices of Participation as Respondent, pre-filed testimony and exhibits, and all other pleadings or related documents shall be deemed filed with the Commission only upon receipt of the original and fifteen (15) copies thereof by the Clerk of the Commission at the following address: State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218, and that service of one complete copy of any required filing shall also be required to be made upon the Deputy Receiver, Jacqueline K. Cunningham, at P.O. Box 399, Richmond, Virginia 23218, and on her counsel, Michael P. Marcin, CANTILO & BENNETT, L.L.P., 11401 Century Oaks Terrace, Suite 300, Austin, Texas 78758, on or before the date required for filing with the Commission.

- 2. Following the Liquidation Hearing, a second order (the "Liquidation Order"):
 - a. Finding Southern Title to be insolvent;
 - b. Declaring that further efforts to rehabilitate Southern Title would be futile, and that Southern Title should be liquidated;

- c. Authorizing assets equal to the value of the UPR on December 20, 2011 (\$9,974,279), to be used by the Deputy Receiver to enter into contracts of reinsurance to pay all policyholder claims, or if no such contracts of reinsurance are effected, to be distributed according to the order of preference in section 38.2-4613(C), and to report its Statutory Premium Reserve liability as \$9,974,279, less any distribution or payment made in accordance with section 38.2-4613;
- d. Establishing the Claims Filing Deadline six (6) months following the date of the Liquidation Order, applicable to all claims against Southern Title other than Pending Claims and Administrative Claims, all as more fully described above;
- e. Authorizing the Deputy Receiver to:
 - i. Promulgate reasonable requirements for the method of presentment and for perfecting claims including, but not limited to, the following: that all claims be rendered certain, liquidated, and non-contingent within a reasonable time following initial presentment but no more than one year following expiration of the Claims Filing Deadline;
 - ii. Continue managing the affairs of Southern Title until such time as it is liquidated and dissolved;
 - iii. Maintain a reasonable reserve of both UPR and non-UPR assets for the costs and expenses of administration;

- iv. Allocate the costs and expenses of administration between UPR and non-UPR assets in the proportion those assets bear to the value of all estate assets;
- v. Allocate the costs and expenses of paying claims pursuant to sections 38.2-1509(B)(1)(ii) and 38.2-4613(C)(ii) between UPR and non-UPR assets in the proportion those assets bear to the value of all estate assets;
- vi. After reserving for the costs and expenses of administration, pursuant to sections 38.2-1509(B)(1) and 38.2-1510, including the costs of curative actions taken to resolve title defects that, left uncured, might give rise to claims under insurance policies issued by Southern Title, adjudicate and pay out non-UPR designated funds according to the following priorities:
 - (1) The claims of all secured creditors with a perfected security interest not voidable under section 38.2-1513 to the extent of the value of their security;
 - (2) The claims of the associations for “covered claims” and “contractual obligations,” as defined in section 38.2-1603 and in other applicable comparable statutes in other jurisdictions, and the claims of other policyholders arising out of insurance contracts apportioned without preference, such payments to be made from Southern Title assets in

accordance with a Commission order or directive of the Deputy Receiver setting the payment percentage;

- (3) Taxes owed to the United States and other debts owed to any person, including the United States, which by the laws of the United States are entitled to priority;
- (4) Claims for wages entitled to priority as provided in section 38.2-1514;
- (5) On a *pro rata* basis, claims of all other creditors; and
- (6) That portion of all Late Filed Claims scheduled to be paid from non-UPR fund sources.

vii. Adjudicate and pay out UPR designated funds in the following order of preference:

- (1) All expenses incurred under section 38.2-4613 in connection with the receivership and rehabilitation proceedings, including the costs of curative actions taken to resolve title defects that, left uncured, might give rise to claims under insurance policies issued by Southern Title;
- (2) Policyholder claims for losses filed before the Claims Filing Deadline apportioned without preference, such payments to be made from Southern Title assets in accordance with a Commission order or directive of the Deputy Receiver setting the payment percentage; and

- (3) Policyholder claims for losses that were filed after the Claims Filing Deadline, as they are allowed until such time as no funds remain or until December 20, 2031, whichever is earlier.
- viii. To transfer UPR assets that remain unpaid or undistributed after December 20, 2031, if any, to the non-UPR accounts of Southern Title to be administered as non-UPR designated funds;
- ix. In the event that she cannot find any person owed funds by the Company, deliver such unclaimed funds to the custody of the state of that person's last known address, as shown by the Company's books and records, pursuant to the procedures established by that state's unclaimed property laws;
- x. Create a trust to hold any unclaimed funds if the applicable state unclaimed property laws did not permit her to deliver any such unclaimed funds to the relevant states prior to the date that Southern Title would cease to exist and the receivership would terminate;
- xi. Cause a third party or contractor of the Company to assume remaining obligations and contingencies of Southern Title in exchange for reasonable consideration, and be authorized to obtain an independent opinion from an actuarial or accounting firm

- regarding the reasonableness of consideration paid for the assumption of Southern Title obligations or contingencies; and
- xii. Take all steps necessary and appropriate to liquidate and dissolve Southern Title as soon as reasonably practicable.
 - h. Declaring that the rights, interests, and contingent claims of all policyholders, and creditors of the Company are fixed as of the date of the entry of the Order of Liquidation;
 - i. Authorizing the Deputy Receiver, in her reasonable discretion, to issue a directive extending the Claims Filing Deadline for a period no greater than one (1) year;
 - j. Approving the termination and closure of these receivership proceedings upon application of the Deputy Receiver at the completion of the liquidation for the Commission's order terminating these proceedings; and
 - k. Granting such other and further relief as the Commission may deem proper under the circumstances.

Respectfully submitted,

Jacqueline K. Cunningham, Commissioner of
Insurance, State Corporation Commission, Bureau
of Insurance, as Deputy Receiver of Southern Title
Insurance Corporation

By: 
Michael P. Marcin

Patrick H. Cantilo (Texas Bar No. 09531750)
Michael P. Marcin (Texas Bar No. 00792664)
Joseph N. West (Texas Bar No. 00788826)
Susan E. Salch (Texas Bar No. 00791591)
CANTILO & BENNETT, L.L.P.
11401 Century Oaks Terrace, Suite 300
Austin, Texas 78758
(512) 478-6000
(512) 404-6550 Fax
service@cb-firm.com

Counsel for the Deputy Receiver

CERTIFICATE OF SERVICE

I hereby certify that on October 4, 2013, the foregoing document was filed electronically with the Clerk of the Commission:

Mr. Joel Peck
Clerk of the Commission
STATE CORPORATION COMMISSION
Tyler Building
1300 E. Main Street
Richmond, Virginia 23219

and one copy was sent via overnight delivery to the following:

Donald C. Beatty, Senior Counsel
John O. Cox, Attorney
STATE CORPORATION COMMISSION
Office of General Counsel
1300 E. Main Street
P.O. Box 1197
Richmond, Virginia 23218-1197

and one copy was sent via United States mail, postage prepaid, to the following:

Ms. Valerie L. Kress
MARYLAND PROPERTY AND CASUALTY INSURANCE GUARANTY
CORPORATION
305 Washington Avenue, Suite 600
Towson, Maryland 21204

Donald R. Ferguson, Senior Assistant Attorney General
OFFICE OF ATTORNEY GENERAL
900 E. Main Street
Richmond, Virginia 23219

Bruce McCandless III, Esq.
MITCHELL, WILLIAMS, SELIG, GATES & WOODYARD, P.L.L.C.
106 E. Sixth Street, Suite 300
Austin, Texas 78701
Counsel for Texas Title Insurance Guaranty Association

G. Tommy Bastian, Esq.
BARRETT DAFFIN FRAPPIER TURNER & ENGEL, L.L.P.
15000 Surveyor Boulevard
Suite 100, Department 4000
Addison, Texas 75001
Counsel for JP Morgan Chase Bank, N.A

Dabney J. Carr, IV, Esq.
Philip "Duke" R. de Haas, Esq.
TROUTMAN SANDERS LLP
1001 Haxall Point
P.O. Box 1122
Richmond, Virginia 23218-1122

John Gregory, Jr., Esq.
103 S. College Avenue
Salem, Virginia 24153


Michael P. Marcini

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