

## **Frequently Asked Questions About Freestone Insurance Company in Liquidation (formerly, Dallas National Insurance Company) ("FREESTONE")**

### **1. What is a Liquidation Proceeding?**

When an insurance company is impaired, insolvent, in unsound condition, or its further transaction of insurance would be hazardous to its policyholders, the Delaware Insurance Code authorizes the Insurance Commissioner of the State of Delaware to ask the Court of Chancery of the State of Delaware (the "Court") for an Order directing the Commissioner to liquidate the insurance company.

A Liquidation Order directs the Commissioner, in her capacity as Receiver, to (i) take or maintain possession of the property of the insurer, (ii) conduct the insurer's business, and (iii) take such steps to liquidate (wind-up the affairs of) the business of the insurer as the Court shall direct.

### **2. Who is in charge of FREESTONE during the Liquidation Proceeding?**

The Receiver is in charge of FREESTONE during the Liquidation Proceeding. On April 28, 2014, the Court signed a Rehabilitation and Injunction Order appointing the Commissioner as Receiver of FREESTONE. On July 22, 2014, the Court signed a Liquidation and Injunction Order with Bar Date, EFFECTIVE AS OF AUGUST 15, 2014, which continued the Commissioner's appointment as Receiver. The Receiver appointed George J. Piccoli as the Deputy Receiver to carry out the responsibilities of the Receiver with respect to the liquidation of FREESTONE. The Deputy Receiver will appoint other persons to assist him in the Liquidation Proceedings. Only persons appointed by the Receiver or Deputy Receiver to assist in liquidating FREESTONE will have authority to act on behalf of FREESTONE.

### **3. Why was FREESTONE placed into Liquidation?**

Based upon the available financial records of FREESTONE, the Receiver determined that FREESTONE was insolvent, that it did not have sufficient liquid assets to pay its liabilities as they became due, and that further efforts to rehabilitate FREESTONE would not be feasible. After a hearing in the Court, the Court found that FREESTONE was insolvent, and the Court issued the Liquidation and Injunction Order with Bar Date.

The Liquidation Order was issued by the Court on July 22, 2014. However, to provide additional time for a transition from the Rehabilitation Proceedings to the Liquidation Proceedings, the Court's Liquidation and Injunction Order with Bar Date was made effective as of August 15, 2014.

**4. What is a Guaranty Association or Fund and what does it do?**

Certain policy claims might qualify for coverage from a guaranty association in the state of the claimant's residence or the state of the insured's residence. Guaranty associations and funds were created by state law to provide protection to insureds in the event of a member insurer's liquidation. The state law which created each guaranty association or fund has limitations and other eligibility requirements, including certain limitations on the amount of coverage available or the types of insureds or claims covered. The Receiver cannot make a determination concerning the amount of guaranty association or fund coverage available to an insured or claimant. That determination will be made by the guaranty association or fund. Enclosed is a list of the state guaranty associations which are affected by the FREESTONE liquidation. This list is also posted on the website at:

[http://delawareinsurance.gov/departments/berg/rehab\\_bureau.shtml](http://delawareinsurance.gov/departments/berg/rehab_bureau.shtml)

under the FREESTONE link.

**5. Am I required to file a proof of claim by the Bar Date of December 31, 2015?**

If you have a claim against FREESTONE and wish to pursue that claim, you must file a proof of claim by the Bar Date of **December 31, 2015**, for your claim to be considered in one of the priority classes. If you have a claim which would be covered by a guaranty association or fund, you should check with the applicable guaranty association or fund to determine whether you are required to file a proof of claim in the FREESTONE estate in order to pursue coverage from the guaranty association or fund. The Receiver strongly suggests that you file a proof of claim in the FREESTONE estate even if you believe you have guaranty association or fund coverage because some guaranty association or fund coverage is limited. If you fail to file a properly completed, timely proof of claim in the FREESTONE estate, you might not qualify for certain coverages and you might be disqualified from participating in a higher priority class or from receiving distributions of assets that eventually become available for your class of claims.

**6. How do I file a proof of claim in the FREESTONE estate?**

A proof of claim must be submitted by the Bar Date which is **December 31, 2015**. Claims submitted after that date are considered late filed and are assigned to a lower Priority Class.

The proof of claim form is enclosed, along with a set of instructions. A copy of both documents are also posted on the website at the link referenced in these FAQs.

All proof of claim forms must be signed and notarized, and the original signatures of the claimant and notary must be submitted to the Deputy Receiver at the address on the proof of claim form. Proofs of claim cannot be submitted electronically or by facsimile.

Documents that support your claim must be attached to the proof of claim. Please answer all applicable questions on the proof of claim form. Missing information will slow the processing of your claim.

Additionally, you should submit a separate proof of claim form for each claim that you have against FREESTONE. For instance, if you are an insured of FREESTONE under a workers' compensation policy and have both a claim for a return of unearned premium (the portion of the premium which you already paid for the period between the cancellation date of your policy and the stated expiration date on your policy) and a claim arising out of an alleged injury to one of your employees, please submit a separate proof of claim for each of those claims.

Provide as much detail as needed to support your claim on your proof of claim form.

The Receiver strongly encourages all potential claimants to submit their proofs of claim as soon as possible to avoid a claim being considered untimely filed after the **December 31, 2015**, Bar Date.

#### **7. What happens to my claim against FREESTONE?**

The Liquidation Order includes injunctions against certain conduct. Please read the Liquidation Order carefully as there are penalties for violations of the injunctions. No proceedings against FREESTONE or any of its insureds may proceed for 180 days from the entry of the Liquidation Order.

As a result of the entry of the Liquidation and Injunction Order with Bar Date, FREESTONE is not able to pay its claims at this time. Over time the Receiver will liquidate the assets of FREESTONE and evaluate the claims against the FREESTONE estate. Once the Receiver has concluded the claim evaluations, the Receiver will make recommendations to the Court. Once the process of liquidating the assets and determining the liabilities of the estate has been completed, the remaining available assets will be distributed to classes of claimants in the priority order established in the Delaware statute at 18 Del. C. §5918(e).

Certain claims might qualify for coverage from a guaranty association. Refer to question number 4.

**8. What happens to my service contract with FREESTONE?**

The Liquidation and Injunction Order with Bar Date enjoins any vendor or other party under any contract from proceeding to act for or on behalf of FREESTONE or from binding FREESTONE without the express written authorization from the Deputy Receiver or the Court.

You **might** be authorized to continue providing services under your contract **if** the Deputy Receiver determines that it is advisable for the estate to authorize you to do so.

Without the express written authorization of the Deputy Receiver, no vendor or other contracting party may take any action concerning the Assets, business, or affairs of FREESTONE.

**9. Whom can I contact if I have a question regarding FREESTONE and/or the Liquidation Proceeding?**

**You can call 1-866-874-6860 or write to:**

**FREESTONE INSURANCE CO. IN LIQUIDATION  
c/o Delaware Insurance Department  
Bureau of Rehabilitation and Liquidation  
Suite 602  
704 N. King Street  
Wilmington, DE 19801**

Additional information regarding the FREESTONE receivership will be posted from time to time at:

**[http://delawareinsurance.gov/departments/berg/rehab\\_bureau.shtml](http://delawareinsurance.gov/departments/berg/rehab_bureau.shtml)**

(Please note that there is an underline between the words “rehab” and “bureau” in the website address.)

Dated: August 15, 2014