



GRANTED

EFiled: Mar 26 2024 09:37AM EDT
Transaction ID 72604503
Case No. 2019-0175-JTL



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION :
OF SCOTTISH RE (U.S.), INC. : C.A. 2019-0175-JTL
: _____ :
:

**ORDER TO SHOW CAUSE CONCERNING THE RECEIVER’S
VERIFIED MOTION TO APPROVE THE
GENERAL CLAIMS PROCEDURES**

**PLEASE READ THIS ORDER CAREFULLY AS IT MIGHT AFFECT
YOUR RIGHTS CONCERNING SCOTTISH RE (U.S.), INC. (“SRUS”). IF
YOU DO NOT FILE A TIMELY RESPONSE TO THE RECEIVER’S MOTION
FOLLOWING THE INSTRUCTIONS IN THIS ORDER, ANY OBJECTION
TO OR COMMENTS YOU HAVE CONCERNING THE RELIEF SOUGHT BY
THE RECEIVER OF SRUS WILL BE DEEMED WAIVED AND THE COURT
WILL GRANT THE RECEIVER’S MOTION AND THE RELIEF SOUGHT
THEREIN. (If you have no objection or comment concerning the Motion
or the relief sought therein, you do not need to take any further action
in response to this Order to Show Cause.)**

WHEREAS, pursuant to 18 Del. C. §5902(a), the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware (the “Commissioner”) in his capacity as the Receiver (“Receiver”) of Scottish Re (U.S.), Inc. in Liquidation (“SRUS”), has moved (the “Motion to Approve”) for approval of a process for filing general claims;

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

OBJECTION DEADLINE

1. **ANY INTERESTED PARTY WHO HAS AN OBJECTION TO THE RECEIVER'S MOTION TO APPROVE MUST FILE THEIR OBJECTION UNDER THE PROCEDURES SET FORTH IN THIS ORDER ON OR BEFORE WEDNESDAY, APRIL 24, 2024 (THE "OBJECTION DEADLINE"). ANY INTERESTED PARTY WHO OBJECTS TO THE RECEIVER'S MOTION TO APPROVE MUST ADVISE THE COURT OF THEIR OBJECTION TO THE RECEIVER'S MOTION TO APPROVE AND THE GENERAL BASIS FOR THEIR OBJECTION SO THAT SUCH OBJECTION IS RECEIVED BY THE COURT AND THE RECEIVER'S COUNSEL ON OR BEFORE THE FOREGOING OBJECTION DEADLINE. ANY INTERESTED PARTY WHO FAILS TO NOTIFY THE COURT OF THEIR OBJECTION TO THE RECEIVER'S MOTION TO APPROVE BY THE OBJECTION DEADLINE WILL BE DEEMED TO HAVE WAIVED ANY RIGHT TO A COURT REVIEW OF AND TO HAVE ABANDONED ANY OBJECTION TO THE RECEIVER'S MOTION TO APPROVE. ANY INTERESTED PARTY WHO OBJECTS TO THE MOTION TO APPROVE SHALL MEET AND CONFER IN ACCORDANCE WITH THE SCHEDULING ORDER ENTERED ON FEBRUARY 27, 2024 [D.I. 838], AND**

SHALL BE REQUIRED TO ATTEND A HEARING TO PRESENT THEIR OBJECTION.

OBJECTION PROCEDURE

2. Any objection must be filed in writing on or before the Objection Deadline by Delaware counsel through electronic service as required by the Court’s Rules or by unrepresented individuals with the Court at the Court's address at:

Register in Chancery
Court of Chancery of the State of Delaware
New Castle County Courthouse
500 North King Street
Wilmington, DE 19801

and shall include the following information:

- a. The caption of these proceedings:

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION :
OF SCOTTISH RE (U.S.), INC. : C.A. 2019-1075-JTL
_____ :

- b. the nature of the document being filed (*e.g.*, Objection to the Motion to Approve);
- c. the name, address, and telephone number of the person filing the document;
- d. the date the document is being filed; and
- e. the grounds for such party’s objection to the Motion to Approve and the relief sought therein.

Please note that corporations and other entities are required to be represented by Delaware counsel to appear before the Court.

A HEARING WILL BE HELD ONLY IF NECESSARY

3. A hearing on the Motion to Approve will be scheduled only if there are any objections filed on or before the Objection Deadline set forth in Paragraph 1 above.

NOTICE OF THIS ORDER TO SHOW CAUSE

4. Within five (5) business days of receipt of this signed Order to Show Cause, the Receiver shall (i) serve copies of this Order to Show Cause, the Motion to Approve, and the proposed form of Order to grant the Motion to Approve, by U.S. first class mail on all known creditors of SRUS, and (ii) post the Order to Show Cause, the Motion to Approve, and the proposed form of Order to grant the Motion to Approve on the website maintained for the SRUS liquidation (https://insurance.delaware.gov/divisions/rehab_bureau/rehab_bureau_scottishreus inc/).

SO ORDERED this _____ day of _____, 2024.

Vice Chancellor J. Travis Laster

This document constitutes a ruling of the court and should be treated as such.

Court: DE Court of Chancery Civil Action

Judge: J Travis Laster

File & Serve

Transaction ID: 72602774

Current Date: Mar 26, 2024

Case Number: 2019-0175-JTL

Case Name: CONF ORDER - IN THE MATTER OF THE LIQUIDATION OF SCOTTISH RE (U.S.),
INC.

Court Authorizer: J Travis Laster

/s/ Judge J Travis Laster



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION :
OF SCOTTISH RE (U.S.), INC. : C.A. 2019-0175-JTL
: _____
:

**RECEIVER'S VERIFIED MOTION TO APPROVE THE
RECEIVER'S PROCEDURES FOR CLAIMS NOT ADDRESSED BY THE
CEDENT REINSURANCE CLAIMS PROCEDURES
AND TO ESTABLISH BAR DATE**

The Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware, (the "Commissioner") in his capacity as the Receiver (the "Receiver") of Scottish Re (U.S.), Inc., in Liquidation ("SRUS"), hereby moves (the "Motion") this Honorable Court pursuant to 18 *Del. C.* § 5902, for an Order Approving the process set forth in the Receiver's Procedures for Claims not Addressed by the Cedent Reinsurance Claims and to Establish a Bar Date (a copy of the Procedures with Exhibits is attached hereto as Exhibit "1"). In support of this Motion, the Receiver states the following:

I. INTRODUCTION

This Motion is to approve the Receiver's Procedures for Claims Not Addressed by the Cedent Reinsurance Claims and to Establish a Bar Date for such claims (the "General Claims Procedures" or the "Procedures").

This Motion is one of two contemporaneously filed motions seeking approval of the process set forth in the Procedures governing the Proof of Claim process. Both generally set forth the requirements for those filing a Proof of Claim, and specify what information is required under 18 *Del. C.* § 5917(a), as well as setting bar dates for

such claims pursuant to § 5929.¹ Two forthcoming motions seeking approval of additional procedures will govern, respectively, the process for determining disputed claims, as well as the final hearing process, pursuant to § 5917(c)-(d).

The instant Motion relates to all claims by *except* those claims covered by the Motion to Approve Cedent Reinsurance Claim (*i.e.* these Procedures cover all claims other than claims of Cedents for death or other covered event occurring prior to October 1, 2023). The two types of claims covered by these Procedures are (1) Cedent claims for amounts alleged to be due and owing because of the termination of their reinsurance agreement with SRUS on September 30, 2023 (“Cedent Termination Claims”); and (2) all other claims (other than the Cedent Reinsurance Claims, which are the subject of another Motion).

II. RELEVANT BACKGROUND

A. **The Delinquency Proceedings of SRUS**

1. On March 6, 2019, this Honorable Court entered the Rehabilitation and Injunction Order in this matter (the “Rehabilitation Order”). The Rehabilitation Order, *inter alia* and consistent with 18 *Del. C. ch.* 59 of the Delaware Insurance Code (Delaware’s version of the Uniform Insurer’s Liquidation Act (the “DUILA”),² found that: SRUS was impaired and in an unsound condition; placed SRUS into rehabilitation; and appointed the Commissioner as the Receiver. Rehabilitation

² Although all of Title 18, Chapter 59, of the Delaware code is devoted to insurance delinquency regulation, technically only Sections 5901(2)-(13), 5902, 5903, and 5913–5920 form the DUILA. *See* 18 *Del. C.* § 5920(a); *In re Liquidation of Freestone Ins. Co.*, 143 A.3d 1234, 1243 at n. 5 (Del. Ch. 2016).

Order (D.I. 18).

2. On July 18, 2023, SRUS was determined to be insolvent and placed into liquidation by a Liquidation and Injunction Order, which continued the appointment of the Commissioner as Receiver. (the “Liquidation Order”) (D.I. 799).

3. At that time, SRUS was a Delaware domiciled and licensed life and health reinsurer.

4. SRUS had no policyholders. Instead, SRUS’s primary business was exclusively reinsurance of business written by other insurance companies (collectively, the “Cedents”), which business was primarily policies of life insurance.

5. In 2008, SRUS ceased writing new business and notified existing counterparties that new reinsurance risks would no longer be accepted under existing reinsurance treaties, thereby placing the reinsurance business into runoff.

6. The causes of, and the bases for, the liquidation of SRUS are well documented in: (a) the Petition for the Entry of a Rehabilitation and Injunction Order filed in the Delaware Chancery Court on March 1, 2019; and (b) the Petition for Entry of a Liquidation and Injunction Order with Bar Date filed in the Delaware Chancery Court on July 14, 2023.

7. Because SRUS itself had no policyholders, state insurance guaranty associations are not involved in the liquidation of SRUS. *See, e.g., 18 Del. C. § 4205(6)(b)* (Delaware Insurance Guaranty Act excluding reinsurance claims from definition of “covered claim”).

8. The Liquidation Order dictated that after 11:59 p.m. on September 30,

2023, all SRUS reinsurance contracts that still remained in force were deemed cancelled. Liquidation Order, ¶ 20(a).

II. THE CLAIMS PROCESS UNDER THE DUILA

9. Under the DUILA:

[T]he chief insurance regulator in the domiciliary state oversees the liquidation process. Only the regulator can initiate liquidation proceedings in the domiciliary state. Once a court has placed the insurer in liquidation, the regulator takes charge of the insurer's operations and marshals its assets. The regulator also manages a statutory process for receiving, evaluating, and paying claims (the "Claims Process"

In re Liquidation of Freestone Ins. Co.., 143 A.3d 1234, 1235 (Del. Ch. 2016).

10. In order to implement the orderly, expeditious, and equitable resolution of all claims against the insolvent insurer, Delaware, like other states, has established a Proof of Claims Process ("POC Process"). *See, e.g. Cohen v. State*, 89 A.3d 65, 94 n. 128 (Del.2014).

11. The POC Process is outlined generally by Sections 5911(a), 5915-19, 5922, and 5924-29 of the DUILA, which allow for the determination of the priority class and amount of claims against insurers in liquidation, such as SRUS.

12. The form of claims, notice and hearing for claims is provided by 18 *Del. C.* § 5917, which provides:

(a) All claims against an insurer against which delinquency proceedings have been begun shall set forth in reasonable detail the amount of the claim or the basis upon which such amount can be ascertained, the facts upon which the claim is based and the priorities asserted, if any. All such claims shall be verified by the affidavit of the claimant or someone authorized to act on the claimant's behalf and having knowledge of the facts and shall be supported by such documents as may be material thereto.

(b) All claims filed in this State shall be filed with the receiver, whether domiciliary or ancillary, in this State on or before the last date for filing as specified in this chapter.

(c) Within 10 days of the receipt of any claim or within such further period as the court may fix for good cause shown, the receiver shall report the claim to the court, specifying in such report the receiver's recommendation with respect to the action to be taken thereon. Upon receipt of such report, the court shall fix a time for hearing the claim and shall direct that the claimant or the receiver, as the court shall specify, shall give such notice as the court shall determine to such persons as shall appear to the court to be interested therein. All such notices shall specify the time and place of the hearing and shall concisely state the amount and nature of the claim, the priorities asserted, if any, and the recommendation of the receiver with reference thereto.

(d) At the hearing, all persons interested shall be entitled to appear and the court shall enter an order allowing, allowing in part, or disallowing the claim. Any such order shall be deemed to be an appealable order.

13. Outside the broad directive that claims be set forth in “reasonable detail,” be verified by affidavit and supported by “material” documents, and be filed by the bar date, § 5917 leaves the format of the claim reporting and evaluation process to the Receiver’s discretion.

14. The DUILA contemplates that the Receiver is at the center of the POC Process and that the Court does not resolve claims in the first instance. *Freestone*, 143 A.3d at 1245.

15. Instead, the initial step in the process is for the Receiver to make a recommendation to the Court regarding a claim. Only then does the Court entertain it and rule on it. *Freestone, Id.* at 1246 (citing 18 *Del. C.* § 5917(c) & (d)).

III. RECEIVER’S GENERAL CLAIMS PROCEDURES

16. In insurance insolvency proceedings, the Proof of Claim process is

generally tailored by the Receiver for the specific lines of insurance and circumstances of an insolvent insurer (*see* Exhibit 2, Affidavit of Michael Johnson (“Johnson Aff.”), at ¶ 6).

17. However, Delaware insurance insolvency Receivers customarily submit the Proof of Claim Forms to the Court for approval (Ex. 2, Johnson Aff. at ¶ 7).³

18. In addition, where the circumstances of the insolvency warrant it, Delaware Receivers have applied to the Court to approve specific procedures⁴ (Ex. 2, Johnson Aff. at ¶ 8).

19. The Receiver has determined that the circumstances of the insolvency of SRUS warrant certain specific procedures as there is no coverage of reinsurance claims by guaranty funds, all of the Cedent claimants are sophisticated insurance companies, and resolution of the Cedent Termination Claims would benefit from a standardized and efficient process to review such claims made known to all claimants beforehand (Ex. 2, Johnson Aff. at ¶¶ 4-5, 9-11).

20. These Procedures are designed to provide a methodology approved by the Receiver and the Receiver’s professionals to value the claims for termination of a Cedent’s reinsurance relationship, and other similar claims as well as to provide the process for general creditors to file their claims, and for cedents to file claims

³ *See, e.g. In re Liquidation of Freestone*, C.A. No. 9574-VCL (Del. Ch.), D.I. 28).

⁴ *See, e.g. In re Liquidation of Indemnity Ins. Corp. RRG*, C.A. No. 8601-VCZ (Del. Ch.), D.I. 726 (Petition for Approval of Proof of Claim Process in an insolvency of a captive insurance company which was not subject to guaranty funds and which had approximately 3,000 claims needing to be determined by the Court).

other than for Cedent Reinsurance Claims or Cedent Termination Claims. (Ex. 2, Johnson Aff. at ¶¶ 11-15; *see also* Exhibit 3, Affidavit of Ryan Fuhs (“Fuhs Aff.”), at ¶¶ 7-15).

21. In addition to allowing for the orderly, expeditious, and equitable resolution of Cedent Termination Claims, these procedures will, *inter alia*, allow for the expeditious collection by SRUS of undisputed amounts due from its own reinsurers. (Ex. 2, Johnson Aff. at ¶¶ 16).

22. The Receiver has determined that the Procedures are fair to SRUS and its claimants and creditors, and are in the best interests of SRUS’s Estate, its claimants, and the general public (Ex. 2, Johnson Aff. at ¶ 22).

23. The General Claims Procedures sets forth the process by which the Receiver will determine the priority and value of: (1) Cedent Termination Claims (*i.e.* Cedent claims for amounts alleged to be due and owing because of the termination of their reinsurance agreement with SRUS on September 30, 2023); and (2) all other claims other than Cedent Reinsurance Claims, which are the subject of a separate Motion.

24. Under the provisions of the General Claim Procedures relating to the Cedent Termination Claims, a claimant wishing to assert such a claim provides the Receiver a certified seriatim listing of the in-force policies covered under each treaty ceded to SRUS as of 9/30/2023. (Procedures at Section 3.2.1.1).

25. The Receiver then takes that information to calculate the present value of future losses for each treaty using the Gross Premium Reserve Valuation method

("GPV") as described in the Memorandum of Present Value of Future Losses/Gains ("GPV Memo") (Exhibit "A" to the Procedures) and provides the Cedent Termination Claims POC Form to the Cedent (Procedures at 3.2.1.2 – 3.2.1.3).

26. The Cedent may accept the valuation from the Receiver by completing, notarizing and returning the Cedent Termination Claims POC Form to the Receiver no later than the Bar Date. (Procedures at 3.2.1.5).

27. No later than forty-five (45) days after the Bar Date, the Receiver submits all Cedent Termination Claims POCs in which a Cedent has accepted the Total Undisputed Cedent Termination Claims Amount, along with the Receiver's recommendation, to the Chancery Court for final determination pursuant to the procedures for Final Determination of Claims. (Procedures at 3.2.1.6).

28. Alternatively, if the Cedent disputes valuation, it must complete and notarize the Cedent Termination Claims Form, and include the Cedent's valuation of the Cedent's Termination Claim applying the GPV methodology set forth in Exhibit A to these procedures, together with the specific calculations and other information used by the Cedent to make the valuation and return to the Receiver no later than the Bar Date (Procedures at 3.2.1.7 – 3.2.1.8).

29. Under the provisions of the General Claim Procedures not relating to the Cedent Termination Claims, the Receiver provides the General Claims POC Form to all interested parties (Procedures at 3.1.3).

30. Any claimant (including a Cedent) wishing to assert a claim that is not a Cedent Termination Claim or a Cedent Reinsurance Claim, provides the Receiver

with a completed and notarized General Claims POC form with supporting document to the Receiver prior to the Bar Date for General Claims for review, evaluation, valuation, and determination (Procedures at 3.2.2.1 – 3.2.2.5).

31. Any Retrocessionaire submitting a General Claims POC form must use the conventions set forth at Section 3.2.2.5(a) and (b) in making their claim, relating to aggregating claim with a negative value, and the increased retention in the Liquidation Order..

32. Any claimant (including, but not limited to, Cedents or Retrocessionaires) submitting a General Claims POC form must use the conventions set forth at Section 3.2.2.5(c) in making their claim, relating to calculating values of future claims or future premiums.

33. Any claimant (including a Cedent) submitting the General Claims POC form must conventions relating

34. Upon the Receiver's receipt, review, and evaluation of: (1) a claimant's completed General Claims POC and supporting documentation; or (2) a Cedent's Termination Claim POC in which a Cedent has not accepted the Total Undisputed Cedent Termination Claims Amount and supporting documentation, the Procedures provide for a reconciliation process to address mathematical or other differences that may exist. To the extent that this reconciliation process is necessary, it is designed to maximize the number of Cedent Reinsurance Claims that can be reported to the Court as undisputed and thus be approved quickly and without expending the resources of the liquidation estate or the Court (Procedures at 3.2.3).

35. The Procedures allow unresolved disputes regarding Cedent Reinsurance Claims, whether from the initial disputed claims list or from disagreements with the claims on the Receiver's books and records, to be more quickly identified and funneled into the dispute resolution process. Procedures at Section 3.2.3).

36. The above procedures have been proposed because the Receiver has determined that under the specific circumstances of SRUS's Liquidation, they act to minimize the cost and expense of the Proof of Claim Process, to more quickly lead to the determination of claims, and reinsurance recoveries and they are fair to SRUS's claimants and creditors, and are in the best interests of SRUS's Estate, its claimants, and the general public. (Ex. 2, Johnson Aff. at ¶¶ 17, 21-22).

IV. BAR DATE FOR CEDENT GENERAL CLAIMS

37. Resolution of the General Claims involves the back and forth of information between Receiver and Cedents with regard to the Cedent Termination Claims and then actuarial calculations of such claims.

38. It also involve all other types of claims other than the Cedent Termination Claims or the Cedent Reinsurance Claims.

39. As such, the Receiver believes that a longer bar date⁵ is warranted in this case and requests that the Court set as the date by which claimants must file Cedent Reinsurance claims as eighteen (18) months after entry of the Order approving this Motion.

⁵ *C.f.* § 5929(b) bar date to be "not less than 6 months after the entry of insolvency."

V. CONCLUSION

40. For the reasons set forth above, in Exhibit 2, the Affidavit of Michael Johnson, Deputy Receiver, and in Exhibit 3, the Affidavit of Ryan Fuhs, Senior Actuarial Executive for the Estate, the Receiver asserts that the above procedures are fair to SRUS and its claimants and creditors, and are in the best interests of SRUS's Estate, its claimants, and the general public. (Ex. 2, Johnson Aff. at ¶¶15, 21-22; Ex. 3, Fuhs Aff. at ¶ 9).

WHEREFORE, the undersigned attorney, on behalf of the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware in his capacity as Receiver of SRUS, in Liquidation, respectfully requests that this Honorable Court:

(1) Find sufficient causes exists to support the conclusion that the General Claims Procedures is in the best interests of the SRUS estate, creditors and the public;

(2) Grant the Receiver's Motion for Approval of the General Claims Procedures;

(3) Authorize the Receiver to take any and all steps necessary to effectuate the terms of the General Claims Procedures;

(4) Set a Bar Date for the submission of claims for fifteen (15) months after entry of the Order approving the Motion; and

(5) Grant such other relief as the Court deems just.

Dated: March 25, 2024

Respectfully submitted,

BAYARD, P.A.

/s/ GianClaudio Finizio

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*Attorneys for The Honorable
Trinidad Navarro, Receiver for
Scottish RE (U.S.), Inc.*



EXHIBIT "1"

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION :
OF SCOTTISH RE (U.S.), INC. : C.A. 2019-0175-JTL
_____ :

**RECEIVER'S PROCEDURES FOR CLAIMS NOT
ADDRESSED BY THE CEDENT REINSURANCE CLAIM
PROCEDURES (GENERAL CLAIMS – ALL CLAIMANTS)**

**SECTION I
PREAMBLE**

These procedures concern claims that allege amounts due and owing from SRUS to claimants for all claims that are not covered by the Cedent Reinsurance Claim Procedures, and the Receiver's determination of those Claims ("General Claims Procedures"). These General Claims Procedures include: (1) Cedent claims for amounts alleged to be due and owing because of the termination of their reinsurance agreement with SRUS on September 30, 2023 ("Cedent Termination Claims"); and (2) all claims other than Cedent Termination Claims and Cedent Reinsurance Claims.

The General Claims Procedures are the exclusive means of evaluating and determining these claims. Along with the Cedent Reinsurance Claim Procedures, these procedures provide a standardized and efficient process to evaluate and determine all claims. As opposed to Cedent Reinsurance Claims, which are relatively uniform and involve settled financial data, these claims include different types of claims and some that require complex methodology to value.

SECTION II DEFINITIONS

Any term used in these General Claims Procedures that is not defined in this Section but is defined in 18 *Del. C.* ch. 59 (“DUILA”) shall have the meaning set forth therein. All terms other than those defined in this Section or the DUILA shall have their common meaning in the English language. Otherwise, with respect to these General Claims Procedures, these terms shall have the following meanings:

- (a) “Approval” refers to the date on which an Order is filed by the Chancery Court approving these General Claims Procedures either as filed or with modifications by the Court.
- (b) “Bar Date” refers to the deadline set by the Court pursuant to 18 *Del. C.* § 5929(b) for a clamant to file a proof of claim with the estate in accordance with these General Claims Procedures. This date is _____, 202_. Pursuant to 18 *Del. C.* § 5918(e)(7) all claims that are subject to these General Claims Procedures that are filed after the Bar Date are deemed late filed and, unless such late filing is excused by the Court, the claim is assigned to Priority Class 7.
- (c) “Cedent” refers to the definition of “Cedent” as contained within the definition of “Reinsurance” in this Section II. For the avoidance of doubt, Cedent refers to an individual Cedent entity and not a group of affiliated or non-affiliated Cedents.
- (d) “Cedent Reinsurance Claims” refers to a claim or claims by a Cedent against SRUS made under the Cedent Reinsurance Claim Procedures.
- (e) “Cedent Termination Claims” refers to the definition of “Cedent Termination Claims” as defined in Section I – Preamble.
- (f) “Chancery Court” refers to the Delaware Court of Chancery.
- (g) “Claim Valuation”, “Valuation”, or “Value” refer to the process in which the Receiver evaluates, values, or otherwise determines a claim pursuant to these General Claims Procedures.
- (h) “General Claims Procedures” refers to the definition of “General Claims Procedures” as defined in Section I – Preamble.

- (i) “Liquidation Order” refers to the Liquidation and Injunction Order entered by the Chancery Court on July 18, 2023, placing SRUS into liquidation.
- (j) “Offset” or “Setoff” refers to the reduction of the amount owed by one party to a second party by crediting the first party with amounts owed it by the second party. Offset rights in the liquidation proceedings of SRUS are governed by 18 *Del. C.* § 5927.
- (k) “Priority Class” refers to the Priority Class of a claim under 18 *Del. C.* § 5918. All timely filed Cedent Termination Claims, unless notified otherwise, are Priority Class 6 pursuant to 18 *Del. C.* 5918 (e)(6).
- (l) “POC Process” when referred to in these General Claims Procedures refers to the process by which claims against SRUS are initiated, reviewed, analyzed, and valued by the Receiver.
- (m) “Receiver” refers to the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware in his capacity as the Receiver of SRUS, or his duly appointed deputy receiver(s) and Designees as that term is defined in the Liquidation Orders.
- (n) “Reinsurance” refers to the contractual transfer or cession by an insurer known as a “Cedent” of some or all of its risk to its policyholders to another insurance company known as the “Reinsurer” for which the Reinsurer is paid a premium by the Cedent (which may or may not relate specifically to the premium paid by the underlying policyholder). The terms and conditions of this transfer are contained in a “Reinsurance Agreement” or “Treaty” and any amendments or endorsements thereto. The Reinsurer may, in turn, contractually transfer or cede some or all of its risk that it assumed from the Cedent to another Reinsurer known as a “Retrocessionaire” for which the Retrocessionaire is paid a premium by the Reinsurer. The terms and conditions of this transfer are contained in a “Retrocession Agreement” and any amendments or endorsements thereto.
- (o) “Reinsurance Agreement” refers to the definition of “Reinsurance Agreement” as contained within the definition of “Reinsurance” in this Section II.

SECTION III GENERAL CLAIMS PROCESS

3.1. General Information

3.1.1 These General Claims Procedures, together with the Cedent Reinsurance Claims Procedures, Dispute Resolution Procedures, and Final Determination of Claims Procedures, implement the claims, reporting, Valuation, and final determination provisions of the DUILA, including 18 *Del. C.* § 5917.

3.1.2 Upon Approval, the General Claims Procedures will be the exclusive means for evaluating and determining Cedent Termination Claims and all other claims, including Cedent claims that are not Cedent Reinsurance Claims or Cedent Termination Claims.

3.1.3 Within thirty (30) days of the Approval, the Receiver shall serve all claimants with a packet containing the following: (a) General Claims Proof of Claim Form (“General Claims POC”) and Instructions (collectively, the “General Claims Packet”).

3.1.4 Within five (5) business days of the Approval, the Receiver will post the following to the website maintained for the SRUS liquidation:¹ (a) the General Claims Procedures; and (b) a template of the General Claims Packet.

3.2. General Claims POC Submission Process

General Claims are divided into two distinct categories: (a) Cedent Termination Claims; and (b) all other claims, including Cedent claims that are not Cedent Reinsurance Claims or Cedent Termination Claims.

¹ https://insurance.delaware.gov/divisions/rehab_bureau/rehab_bureau_scottishreusinc/

3.2.1 **Cedent Termination Claims**

3.2.1.1 For Cedent Termination Claims, before the POC process can commence, each Cedent seeking to assert a Cedent Termination Claims must submit to the Receiver a seriatim listing of the in-force policies covered under each treaty ceded to SRUS as of 9/30/2023. For each seriatim listing submitted, the cedent will submit an affidavit, signed by a company officer, stating that:

- A. the cedent utilized reasonable procedures to provide a high level of assurance (not absolute assurance) that the listing is complete and accurate; and
- B. based on the procedures followed and the cedent's normal control procedures, the signing officer believes that the listing is complete and accurate to the best of his/her knowledge, information, and belief.

3.2.1.2 After receiving the affidavit and seriatim listing referenced in the preceding paragraph, the Receiver will use the information provided to calculate the present value of future losses for each treaty using the Gross Premium Reserve Valuation method ("GPV"). A description of the GPV, including the methodology and assumptions used in calculating it, are set forth in a Memorandum of Present Value of Future Losses/Gains ("GPV Memo") prepared by Ryan Fuhs, Senior Actuarial Executive for the Liquidation Estate of Scottish Re (U.S.), Inc. A copy of the GPV Memo is attached to these General Claims Procedures as Exhibit "A".

3.2.1.3 After the GPV calculation is completed, the Receiver will issue to the claimant a Cedent Termination Proof of Claim form ("Cedent

Termination Claims POC”). A template of the Cedent Termination Claims POC is attached to the General Claims Procedures as Exhibit “B.”

3.2.1.4 The Cedent Termination Claims POC will identify, in the aggregate (all treaties), the Receiver’s Valuation of the Cedent Termination Claims (“Total Undisputed Cedent Termination Claims Amount”).

3.2.1.5 If the Cedent claimant accepts the Total Undisputed Cedent Termination Claims Amount, the Cedent shall complete, notarize, and return the Cedent Termination Claims POC to the Receiver no later than the Bar Date.

3.2.1.6 No later than forty-five (45) days after the Bar Date, the Receiver shall submit all Cedent Termination Claims POCs in which a Cedent has accepted the Total Undisputed Cedent Termination Claims Amount, along with the Receiver’s recommendation, to the Chancery Court for final determination pursuant to the procedures for Final Determination of Claims.

3.2.1.7 If a Cedent does not accept the Total Undisputed Cedent Termination Claims Amount, the Cedent must complete and notarize the General Claims POC form in accordance with 3.2.2.2 – 3.2.2.5. A template of the General Claims POC is attached to the General Claims Procedures as Exhibit “C.”

3.2.1.8 In addition, the Cedent’s submission to the Receiver referenced in the preceding paragraph must also include the Cedent’s valuation of the Cedent’s Termination Claim applying the GPV methodology set forth in

Exhibit A to these procedures, together with the specific calculations and other information used by the Cedent to make the valuation.

3.2.1.9 If a Cedent has additional claims against SRUS other than Cedent Reinsurance Claims, or Cedent Termination Claims in which the Cedent disputes the Total Undisputed Cedent Termination Claims Amount, those Cedent claims must comply, and will proceed in accordance, with the General Claims Procedures stated below in 3.2.2.1.

3.2.2 General Claims Other Than Cedent Termination Claims

3.2.2.1 All other claimants, including Cedents that have claims against SRUS other than a Cedent Reinsurance Claim or Cedent Termination Claims, initiate the POC Process for such claims by completing and submitting a General Claims POC form with supporting documentation to the Receiver for review, evaluation, valuation, and determination.

3.2.2.2 Each section of the General Claims POC form must be completed. If a section is not applicable, please state “N/A”.

3.2.2.3 A separate General Claims POC form must be completed for each claim against SRUS.

3.2.2.4 The General Claims POC form must:

- (a) be filled out completely including the Priority Class that the claimant asserts is applicable to the claim;
- (b) be accompanied by all documentation that the claimant asserts materially supports the claim against SRUS and which the claimant relies upon to support the claim;

- (c) be signed under oath by the person filing the General Claims POC or an authorized representative; and
- (d) be returned to the SRUS estate at the address indicated on the General Claims POC form on or before the Bar Date so that the proof of claim and supporting documentation are received by the SRUS estate by that date. If they are not, the claimant's claim(s) will be barred from sharing in any distributions of assets from the SRUS estate unless assets become available to pay Class 7 (late-filed) claims.

3.2.2.5 A claimant submitting a General POC Form must use the following conventions, as applicable:

- (a) For Retrocessionaire claimants: Any negative values for a legal entity will not be capped at \$0 as these values represent a claim by the liquidation estate against the Retrocessionaire;
- (b) For Retrocessionaire claimants: Consistent with the Liquidation Order, the amount of coverage under the Retrocession agreement will assume the recapture by SRUS of all excess retrocession up to \$4,000,000 per life for all treaties where SRUS has the right to raise the retention;
- (c) For all Claimants: Claims related to future claims, or future premiums shall use the assumptions as described in the GPV memo.

3.2.2.6 A claimant may use photocopies of the General Claims POC form, ***but the claimant's signature and the notarization submitted to the Receiver must be the original signature and notarization.***

3.2.3 General Claims POC Evaluation Process Other Than Where Cedent Accepts Total Undisputed Cedent Termination Claims Amount

3.2.3.1 Upon the Receiver's receipt, review, and evaluation of: (1) a

claimant's completed General Claims POC and supporting documentation; or (2) a Cedent's Termination Claim POC in which a Cedent has not accepted the Total Undisputed Cedent Termination Claims Amount and supporting documentation, the Receiver will either: (a) issue a Notice of Determination ("NOD") regarding the claimant's claim(s) that assigns a Priority Class and Value to the claim(s); or (b) communicate with the claimant in an attempt to: (i) obtain additional information needed for the Receiver to issue a NOD for the claim(s); and/or (ii) reconcile discrepancies between the Receiver and claimant's Priority Class or Valuation of the respective claim(s).

3.2.3.2 Claim discrepancies that are resolved through the reconciliation process referenced in the preceding paragraph will be stipulated by the Receiver and claimant. A Notice of Determination of Agreed Class and Value ("NODACV") will then be issued by the Receiver, signed and notarized by the claimant, and submitted for final determination in accordance with the procedures for Final Determination of Claims.

3.2.3.3 If the reconciliation process fails to resolve discrepancies in the Priority Class or Valuation of the claim(s), the claim(s) in question shall proceed to the dispute resolution process as set out in the Dispute Resolution Procedures.

3.2.3.4 At any time prior to final determination by the Chancery Court, the Receiver and any claimant with an unresolved claim(s) may continue to conduct informal attempts to resolve any disagreements regarding such

claim(s) and if an agreement is reached, such claim will then become a stipulated claim and the Receiver will replace the NOD with an NODACV which will be submitted to the Chancery Court for final approval in accordance with the Final Determination of Claims Procedures.

EXHIBIT “A”

Present Value of Future Losses/Gains

GPV Calculation

Each cedent will submit to the Receiver for each treaty a Seriatim listing of the inforce policies covered under its treaties ceded to Scottish Re (U.S.), Inc., in Liquidation (“SRUS”) as of September 30, 2023. For each Seriatim listing submitted, the cedent will submit an affidavit signed by a company officer stating,

1. The cedent utilized reasonable procedures to provide a high level of assurance (not absolute assurance) that the listing is complete and accurate and,
2. Based on the procedures followed and the cedent’s normal control procedures, the signing officer believes that the listing is complete and accurate to the best of his/her knowledge.

The Receiver will estimate the present value of future losses for each treaty, using the Gross Premium Reserve valuation method (“GPV”). The GPV is a widely accepted actuarial method used for measuring the assets that are sufficient to satisfy obligations for a portfolio of insurance risks under moderately adverse assumptions. Under this method the book value of the assets that satisfy the obligations is the Gross Premium Reserve.

Since the assets ultimately distributed will be cash, the Receiver will conduct the Gross Premium Reserve by assuming assets are liquidated for cash on the liquidation date so that the book value and market value of assets are equal on the date of valuation. This cash is then assumed to be invested on the valuation date based on market yields on the valuation date. The actuarial assumptions are in accordance with the assumptions used by SRUS for its 2022 Actuarial Memorandum developed in support of the 2022 Statement of Actuarial Opinion for SRUS (the “2022 Actuarial Opinion”) except for the following assumptions:

1. The expense assumption used in the GPV calculation will be based on maintenance and overhead expenses necessary to administer the business.

2. For treaties with trusts, a moderately adverse spread was included in the GPV calculation.
3. The GPV discount rates are based on the projected net investment earned rates resulting from an initial cash investment and the reinvestment of future positive cash flow at the projected new money rate using the September 30, 2023 forward curve and the method and spread assumptions contained in the 2022 Actuarial Memorandum.

Consistent with the Liquidation Order, the GPV valuation will use the contractual maximum premium for all assumed YRT business except where SRUS is contractually precluded from raising YRT premiums and will assume that, as a result, any Cedent receiving such a rate increase will exercise their option (contractual or otherwise) to recapture their business on the next policy anniversary date following September 30, 2023 for each policy covered under the respective treaty rather than pay the increased rates. As a consequence, for the majority of YRT reinsurance the GPV will be the expected death benefits between (immediately following) September 30, 2023 and the next anniversary of each of the underlying policies covered under the treaty.

If a legal entity has multiple treaties with SRUS, the GPV will be separately calculated for each treaty and aggregated among the multiple treaties. If the aggregated amount at a legal entity level is negative (the present value of premiums is in aggregate greater than the present value of benefits and expenses), it will be capped at \$0.

In the event the legal entity has business that is secured by a trust and the GPV is greater than the amount received by the legal entity from disposition of the trust, the difference between the GPV and the amount received will be added to the cedent's claim.

The Liquidator will continue to accept liability for claims on inforce policies incurred prior to October 1, 2023, but reported after September 30, 2023, through the bar date. Given the continued acceptance of liability for claims, the present value of future losses will not include an amount for claims Incurred but Unreported ("IBNR").

Methodology

The GPV is calculated based on the present value of calendar year cash flows over the life of the treaty for Financial Solutions (“FS”) business and over a 50-year projection horizon for Traditional Solutions (“TS”) business. The cash flows consist of, as applicable, premiums, surrender benefits, death benefits, annuity benefits, commissions and expense allowances on assumed reinsurance, policy expenses, and overhead expenses. Consistent with the requirements of Actuarial Standard of Practice No. 22, the assumptions used are moderately adverse.

For a September 30, 2023 valuation, the GPV for TS business includes cash flows over the period from October 1, 2023, until September 30, 2073, when only an immaterial amount of the initial underlying business (less than 0.2%) remains in force.

Assumptions

The liability assumptions underlying the GPV calculation are in accordance with those used by SRUS for its 2022 Actuarial Memorandum developed in support of the 2022 Actuarial Opinion other than expenses, moderately adverse spreads, and discount rates, which are set forth in the GPV Calculation Section, above. The assumptions for the TS business and FS business are described below.

Traditional Solutions

Mortality

The base mortality assumption is the Summit version 4 table. The Summit table is a proprietary table owned by Hannover Life Reassurance Company of America. The Summit mortality rates are adjusted based on experience, expected mortality improvement, mortality deterioration, and a provision for adverse deviation. These mortality adjustments are contained on pages 52-67 of the 2022 Actuarial Memorandum.

Termination

The lapse rates for are contained on pages 68-71 (level term period lapse rates and permanent lapse rates including net amount at risk run-off) and 56 (post-level term lapse rates).

Expenses

The expenses will be based on a per policy expense only including third party administration expenses. The third party administration expense level is consistent with the amounts on page 37 of the 2022 Actuarial Memorandum.

Financial Solutions

Mortality

The mortality assumptions used, if applicable, are summarized on page 76 of the 2022 Actuarial Memorandum.

Termination

The termination rates for annuities are the sum of non-interest sensitive termination rates and interest sensitive termination rates. The rates and methodology used are on pages 76-79 of the 2022 Actuarial Memorandum. Assumptions for annuity benefits, if applicable, are on page 79 of the Actuarial Memorandum.

Premiums

The premium assumptions for the applicable annuity and universal life business are on page 77 of the 2022 Actuarial Memorandum.

Policy.Expenses

The contractual policy maintenance expenses, if applicable, are on page 79 of the 2022 Actuarial Memorandum.

Overhead.Expenses

The contractual policy maintenance expenses are on page 79 of the 2022 Actuarial Memorandum.

Interest.Crediting

The interest crediting strategy for annuities is described on page 80 of the 2022 Actuarial Memorandum.

Moderately Adverse Spread Assumption

For FS treaties with an associated trust, a spread for moderately adverse investment/disintermediation risk was used in the GPV calculation. The spread was determined using the cost of capital method. The target capital for the liability was estimated at 300% of the company action level of NAIC risk based capital, with a required return of 15% of target capital.

EXHIBIT “B”

SCOTTISH RE (U.S.), INC. IN LIQUIDATION

CEDENT PROOF OF CLAIM FORM
FOR CEDENT REINSURANCE TERMINATION CLAIMS

POC Number
(Receiver Use)

BAR DATE FOR FILING CEDENT REINSURANCE TERMINATION CLAIMS
IS _____, 202_

Please read the instructions carefully before fully completing all pages of this Proof of Claim form. Each section must be fully completed.

1. CEDENT'S NAME: XYZ Corporation, Inc.
(Type correct name if it differs) _____

2. MAILING ADDRESS: _____

3. TEL. NO. (Daytime): _____ 4. ALTERNATE TEL. _____

5. E-MAIL ADDRESS: _____

6. ARE YOU REPRESENTED BY AN ATTORNEY: YES (). NO (). If YES, provide attorney's name, address, telephone no. and email.

7. Do you accept the Receiver's calculation of the TOTAL UNDISPUTED CEDENT TERMINATION CLAIM AMOUNT for XYZ Corporation, Inc. of \$750,000.

() YES

() NO

If "YES" – Sign this form and have it notarized and return it as directed below.

If "NO" – Complete Question 8, then sign this form and have it notarized and return it as directed below.

8. AMOUNT OF YOUR CLAIM: \$ _____

You must, on a separate sheet, provide all calculations used to compute this valuation, along with an explanation of your calculation.

IMPORTANT: This Proof of Claim must be sworn to before a Notary Public or person authorized to administer oaths.

I swear under the penalties for perjury that the facts stated in this Proof of Claim to be filed in the liquidation proceeding of Scottish Re (U.S.), Inc. are true and correct.

STATE OF _____) _____
Cedent (sign on line above)

Print Name: _____

COUNTY OF _____) _____

Title or Official Capacity of Signatory for Corporation or Other Entity

Subscribed and sworn to before me, a Notary Public this _____ day of _____, 202_.

Signature of Notary Public

Printed Name of Notary Public

I am a resident of _____ County, _____.

My commission expires _____.

DEADLINE FOR FILING CEDENTER TERMINATION REINSURANCE CLAIMS IS

_____, 202_

**THIS PROOF OF CLAIM AND ALL SUPPORTING DOCUMENTATION
MUST BE RECEIVED BY SCOTTISH RE (U.S.), INC. IN LIQUIDAITON
AT THE FOLLOWING ADDRESS ON OR BEFORE THE BAR DATE:**

**Scottish Re (U.S.), Inc. in Liquidation
1 Righter Parkway
Suite 280
Wilmington DE 19803-1555**

EXHIBIT “C”

SCOTTISH RE (U.S.), INC. IN LIQUIDATION

**PROOF OF CLAIM FORM
FOR GENERAL CLAIMS**

POC Number
(Receiver Use)

BAR DATE FOR FILING GENERAL CLAIMS IS _____, 202_

Please read the instructions carefully before completing all pages of this Proof of Claim form. Each section must be fully completed.

1. CLAIMANT'S NAME: _____
(Type correct name if it differs) _____

2. MAILING ADDRESS: _____

3. TEL. NO. (Daytime): _____ 4. ALTERNATE TEL. _____

5. E-MAIL ADDRESS: _____

6. ARE YOU REPRESENTED BY AN ATTORNEY: YES (). NO (). If YES, provide attorney's name, address, telephone no. and email.

7. In the space below, give a STATEMENT of the FACTS giving rise to your claim (attach additional sheets if necessary, as well as all documentation supporting your claim).*

8. AMOUNT OF YOUR CLAIM: \$ _____

9. What classification do you contend should be assigned to your claim:
(See instructions for an explanation of each Class)

(Choose one only)

- Class I (Administrative Expense)
- Class IV (Taxes or Debts to the United States)
- Class V (Compensation for Non-Officer Employees of Indemnity Insurance Corporation, RRG)
- Class VI (General Creditor Claim, including non-insurance policy contract claims, and claims of Reinsurers)
- Class VII (Claims Within Classes I-VI but filed after the Bar Date)
- Class VIII (Surplus Notes or Similar Obligations)
- Class IX (Shareholders or Owners Claims)

10. Is there OTHER INSURANCE which may cover this claim? YES (). NO (). If YES, give name of the insurer(s) and policy number(s).

11. Has a LAWSUIT or other LEGAL ACTION been instituted by anyone? YES (). NO (). If YES, provide the following:

A. COURT WHERE FILED: _____

B. DATE FILED & DOCKET NUMBER: _____

C. PLAINTIFF(S): _____

D. DEFENDANT(S): _____

*A claimant submitting a General POC Form must use the following conventions, as applicable:

- (a) For Retrocessionaire claimants: Any negative values for a legal entity will not be capped at \$0 as these values represent a claim by the liquidation estate against the Retrocessionaire;
- (b) For Retrocessionaire claimants: Consistent with the Liquidation Order, the amount of coverage under the Retrocession agreement will assume the recapture by SRUS of all excess retrocession up to \$4,000,000 per life for all treaties where SRUS has the right to raise the retention;
- (c) For all Claimants: Claims related to future claims, or future premiums shall use the assumptions as described in the GPV memo.

IMPORTANT: This Proof of Claim must be sworn to before a Notary Public or person authorized to administer oaths.

I swear under the penalties for perjury that the facts stated in this Proof of Claim to be filed in the liquidation proceeding of Scottish Re (U.S.), Inc. are true and correct.

STATE OF _____) _____
Cedent (sign on line above)

Print Name: _____

COUNTY OF _____) _____

Title or Official Capacity of Signatory for Corporation or Other Entity

Subscribed and sworn to before me, a Notary Public this _____ day of _____, 202_.

Signature of Notary Public

Printed Name of Notary Public

I am a resident of _____ County, _____.

My commission expires _____.

DEADLINE FOR FILING GENERAL CLAIMS IS

_____, 202_

**THIS PROOF OF CLAIM AND ALL SUPPORTING DOCUMENTATION
MUST BE RECEIVED BY SCOTTISH RE (U.S.), INC. IN LIQUIDAITON
AT THE FOLLOWING ADDRESS ON OR BEFORE THE BAR DATE:**

**Scottish Re (U.S.), Inc. in Liquidation
1 Righter Parkway
Suite 280
Wilmington DE 19803-1555**



EXHIBIT "2"

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE :
LIQUIDATION OF : C.A. No. 2019-0175-JTL
OF SCOTTISH RE (U.S.), INC. :

AFFIDAVIT OF MICHAEL J. JOHNSON

I, MICHAEL J. JOHNSON, being duly sworn, according to law, depose and state that:

1. I am the Deputy Receiver of Scottish Re (U.S.), Inc., in Liquidation (“SRUS”). I was originally appointed Deputy Receiver on March 6, 2019 by the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware after the Court entered an order placing SRUS into rehabilitation and appointed Commissioner Navarro as the Receiver (“Rehabilitation Order”). I make this Affidavit in Support of the Receiver’s Verified Motion to Approve the Receiver’s Procedures for Claims Not Addressed by the Cedent Reinsurance Claims Procedures and to Establish Bar Date (the “Motion”).

2. I have forty-nine (49) years of experience in the insurance industry during which time I have held varied senior management positions for several insurance companies with direct reporting obligations to the Chief Executive Officer, including Chief Financial Officer.

3. I also have twenty (20) years of experience in the seizure, rehabilitation and liquidation of financially troubled insurance companies or companies that are being operated in a condition hazardous to policyholders or the

public. I have served the Insurance Commissioners of Delaware, North Carolina, Vermont, and Pennsylvania.

4. My duties as Deputy Receiver include, but are not limited to, marshalling and preserving estate assets, making day-to-day operating decisions for the Estate, and, in liquidation, overseeing the proof of claims process and interacting with creditors. Usually, my liquidation duties also include interacting with individual state guaranty funds and policyholders but because SRUS was strictly a life reinsurer, guaranty fund support does not apply and SRUS has no policyholders.

5. To assist me in discharging these liquidation duties, I assembled a team consisting of SRUS executive management, including, but not limited to its Senior Finance Executive and Senior Actuarial Executive, and retained outside financial and actuarial consultants and legal counsel (collectively the “Liquidation Team”).

6. In insurance liquidation proceedings, the Receiver generally tailors the Proof of Claim process to the specific lines of insurance and circumstances of an insolvent insurer.

7. The Proof of Claim forms and associated instructions are for the most part very similar among the Delaware insolvencies depending on the lines of insurance and they are customarily submitted for approval as part of the legal papers that are filed with the Court to place an insurer into liquidation.

8. However, where the circumstances of an insurance liquidation warrant it, Delaware Receivers have applied to the Court to approve specific procedures.

9. This liquidation, unlike most liquidations, does not have the involvement of state guaranty associations and has no policyholders. Most of the creditors of SRUS are sophisticated parties and a significant majority of the claims arise from contractual counterparty relationships. The overwhelming majority of claims in this Liquidation will be from life insurers or reinsurers that have claims related to reinsurance contracts with SRUS.

10. In particular, the bulk of claims of cedent creditors can be easily separated into two types. Those claims arising from unpaid losses, commissions, fees, or expenses through September 30, 2023 which is the date that the reinsurance agreements were cancelled under the Liquidation Order (“Cedent Reinsurance Claims”), and claims associated with the breach of contract arising from the cancellation (“Cedent Termination Claims”).

11. This Affidavit addresses the second type of claims, the Cedent Termination Claims, as well as other claims that, if approved, will be governed by the Procedures for Claims Not Addressed by the Cedent Reinsurance Claims Procedures (“General Claims Procedures”) which are the subject of the Motion.

12. The Cedent Termination Claims are specific to the SRUS liquidation and the SRUS estate, creditors, and the Court would benefit from a standardized and efficient process to review and value these claims that is made known to all claimants beforehand.

13. For this purpose, and consistent with my duties as Deputy Receiver, I and the Liquidation Team have been involved in developing an appropriate actuarial methodology to calculate the value of the Cedent Termination Claims.

14. As part of this process, I have consulted with insurance professionals, including Ryan Fuchs, Senior Actuarial Executive for the Liquidation Estate of Scottish Re (U.S.), Inc., regarding an appropriate actuarial methodology, consistent with industry standards and SRUS's custom and practice, to calculate the value of the Cedent Termination Claims. I have also reviewed Memo prepared by Mr. Fuhs regarding the methodology and assumptions used to calculate the present value of future losses under the terminated reinsurance agreements using the Gross Premium Reserve Valuation method ("GPV Memo").

15. Based upon my independent knowledge of the facts and circumstances regarding the SRUS liquidation, and in consultation with the Liquidation Team including insurance professionals and legal counsel, I have determined that the GPV methodology is reasonable and meets the objective of providing a standardized and efficient process to review and value the Cedent Termination Claims.

16. In addition, using a standardized calculation methodology allows for the orderly, expeditious, and equitable resolution of the Cedent Termination claims. These procedures that are consistent with those associated with the undisputed Cedent Reinsurance Claims and will, among other things, also allow for the expeditious collection by SRUS of undisputed amounts due from SRUS's reinsurers (retrocessionaires).

17. Further, the General Claims Procedures that address claims other than Cedent Termination Claims follow the usual and customary practice of other Delaware liquidation proceedings with respect to the Proof of Claims Process but are tailored to the nature of SRUS's business.

18. I have also determined that setting a proof of claims bar date for Proof of Claims of fifteen (15) months is reasonable under the circumstances because of the different types of claims that fall within the General Claims Procedures.

19. Based upon my experience in these matters it is anticipated that resolution of the Cedent Termination Claims will involve several communications between the Receiver and cedents regarding valuation.

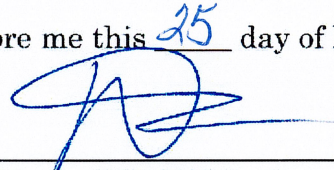
20. In my experience, the other types of general claims will also require sufficient time to value, reconcile and hopefully resolve such that disputes are greatly minimized. In fact, a proof of claim bar date of fifteen (15) months is consistent with the bar dates set in other liquidation proceedings in Delaware.

21. In summary, I have determined that, under the specific circumstances of SRUS's Liquidation, the General Claims procedures minimize the cost and expense of the Proof of Claim process, lead more quickly to the determination of claims, and reinsurance recoveries.

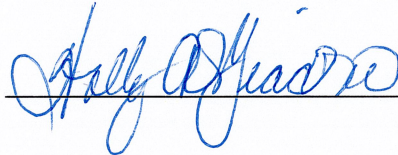
22. Based upon my experience in the insurance industry, insurance insolvencies, my independent knowledge of the facts and issues in the case noted above, and in consultation with my advisors, including experienced legal counsel, I have determined that the General Claims Procedures are fair to SRUS and its

claimants and creditors, and are in the best interests of SRUS's Estate, its claimants, and the general public.

SWORN TO AND SUBSCRIBED before me this 25 day of March 2024.



MICHAEL J. JOHNSON , Deputy Receiver
Scottish Re (U.S.), Inc., in Liquidation



Notary Public

My Commission Expires: 4-20-26

Commonwealth of Pennsylvania - Notary Seal
HOLLY A. DIGIACOMO, Notary Public
Philadelphia County
My Commission Expires April 20, 2026
Commission Number 1039961





EXHIBIT “3”

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE :
LIQUIDATION OF : C.A. No. 2019-0175-JTL
SCOTTISH RE (U.S.), INC. :

AFFIDAVIT OF RYAN FUHS

I, RYAN FUHS, being duly sworn, according to law, depose and state that:

1. I am the Senior Actuarial Executive for the Liquidation Estate of Scottish Re (U.S.), Inc., in Liquidation. Prior to that, I served as Sr. Vice President, Chief Actuary of Scottish Re (U.S.), Inc. ("SRUS" or the "Company") since May 2021. I am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries and I meet the qualification standards for issuing this statement. I am authorized to make this Affidavit on behalf of SRUS. I make this Affidavit in support of the Receiver's Motion to Approve Settlement.

2. Prior to serving as Chief Actuary of SRUS, I held the positions of Appointed Actuary – Leader of Actuarial Projections, and Director & Actuary – Life & Annuity Financial Projections at Brighthouse Financial, Inc. from 2017-2021.

3. Prior to my roles at Brighthouse Financial, Inc., I held the positions of Vice President – Modeling Actuary and Assistant Vice President – Valuation & Modeling Actuary at SRUS from 2014-2017.

4. Prior to that, I held the positions of Director & Actuary – Life Asset-Liability Management ("ALM") Modeling Research & Development, Senior Associate Actuary – Life ALM, and Actuarial Analyst – Life Valuation & Financial Reporting at Lincoln Financial Group from 2008-2014.

5. As Chief Actuary, my duties include the review and analysis of the Company's actuarial reserves. I am familiar with the data produced by the Company's actuarial processes and models, and how the actuarial data is used in the Company's financial statements.

6. I prepared the Memorandum of Present Value of Future Losses/Gains ("GPV Memo"), which is attached hereto as Exhibit "A."

7. The GPV Memo sets forth the methodology and assumptions used in calculating the present value of future losses for use in the claims adjudication process of SRUS using the Gross Premium Reserve valuation method ("GPV").

8. The GPV determines the amount of assets, computed in accordance with generally accepted actuarial methods and actuarial standards of practice, SRUS would need to pay to the cedent to enable the cedent to purchase assets sufficient to pay the future claims and expenses of the reinsured contracts.

9. The GPV is a widely accepted actuarial method used for measuring the assets that are sufficient to satisfy obligations for a portfolio of insurance risks under moderately adverse assumptions.

10. The actuarial assumptions used in the GPV Memo are in accordance with the assumptions used by SRUS for its 2022 Actuarial Memorandum developed in support of the 2022 Statement of Actuarial Opinion for SRUS (the "2022 Actuarial Opinion") except for the assumptions noted in the GPV Memo and also in Paragraph 16 of this Affidavit.

11. The Statement of Actuarial Opinion for Scottish Re (U.S.), Inc. as of December 31, 2022 (“2022 Opinion”) was prepared and delivered to me by Jeffrey A. Klanderma n, FSA, MAAA of PWC (SRUS’s appointed actuary), and was attached to my Affidavit in Support of the Motion for Entry of a Liquidation and Injunction Order (my “Prior Affidavit”) (D.I. 791) as Exhibit "A."

12. The Actuarial Memorandum in Support of the Statutory Statement of Opinion Regarding the Adequacy of Reserves and Related Actuarial Items as of 12/31/2022 for Scottish Re (U.S) Inc. (“2022 Klanderma n Memo”) was prepared and delivered to me by Mr. Klanderma n and was attached to my Prior Affidavit in Support of the Liquidation Motion as Exhibit "B."

13. The 2022 Actuarial Memorandum on Asset Adequacy Analysis Prepared in Support of the Actuarial Opinion (“2022 AAA Memo:”) was prepared by me in consultation with and accepted by Mr. Klanderma n and was attached to my Prior Affidavit as Exhibit "C."


14. The 2022 Statement, 2022 Klanderma n Memo and the 2022 AAA Memo are not attached hereto due to their size. However, the actuarial assumptions in the 2022 AAA Memo are set forth at length therein, and are in accordance with the actuarial assumptions which are used in the GPV calculation with the exception of those assumptions noted in the GPV Memo.

15. The actuarial assumptions in the 2022 AAA Memo, were confirmed as reasonable and consistent by SRUS’s appointed actuary, Mr. Klanderma n, in the 2022 Opinion and 2022 Klanderma n Memo.

16. The expense assumption used in the GPV calculation will be based on maintenance and overhead expenses necessary to administer the business. For treaties with trusts, a moderately adverse spread was included in the GPV calculation. The GPV discount rates are based on the projected net investment earned rates resulting from an initial cash investment and the reinvestment of future positive cash flow at the projected new money rate using the September 30, 2023 forward curve and the method and spread assumptions contained in the 2022 Actuarial Memorandum.

17. The only actuarial assumptions used in the GPV calculation which are not provided or readily available to cedents are the base mortality assumptions for the Traditional Solutions business, which are proprietary to Hannover Life Reassurance Company of America and/or one or more of its affiliates.

SWORN TO AND SUBSCRIBED before me this 25 day of March, 2024.



Ryan Fuhs, Senior Actuarial Executive for the
Liquidation Estate
Scottish Re (U.S.), Inc.



Notary Public
My Commission Expires: Sept. 2, 2025

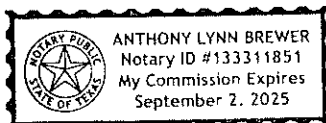


EXHIBIT “A”

Present Value of Future Losses/Gains

GPV Calculation

Each cedent will submit to the Receiver for each treaty a Seriatim listing of the inforce policies covered under its treaties ceded to Scottish Re (U.S.), Inc., in Liquidation (“SRUS”) as of September 30, 2023. For each Seriatim listing submitted, the cedent will submit an affidavit signed by a company officer stating,

1. The cedent utilized reasonable procedures to provide a high level of assurance (not absolute assurance) that the listing is complete and accurate and,
2. Based on the procedures followed and the cedent’s normal control procedures, the signing officer believes that the listing is complete and accurate to the best of his/her knowledge.

The Receiver will estimate the present value of future losses for each treaty, using the Gross Premium Reserve valuation method (“GPV”). The GPV is a widely accepted actuarial method used for measuring the assets that are sufficient to satisfy obligations for a portfolio of insurance risks under moderately adverse assumptions. Under this method the book value of the assets that satisfy the obligations is the Gross Premium Reserve.

Since the assets ultimately distributed will be cash, the Receiver will conduct the Gross Premium Reserve by assuming assets are liquidated for cash on the liquidation date so that the book value and market value of assets are equal on the date of valuation. This cash is then assumed to be invested on the valuation date based on market yields on the valuation date. The actuarial assumptions are in accordance with the assumptions used by SRUS for its 2022 Actuarial Memorandum developed in support of the 2022 Statement of Actuarial Opinion for SRUS (the “2022 Actuarial Opinion”) except for the following assumptions:

1. The expense assumption used in the GPV calculation will be based on maintenance and overhead expenses necessary to administer the business.

2. For treaties with trusts, a moderately adverse spread was included in the GPV calculation.
3. The GPV discount rates are based on the projected net investment earned rates resulting from an initial cash investment and the reinvestment of future positive cash flow at the projected new money rate using the September 30, 2023 forward curve and the method and spread assumptions contained in the 2022 Actuarial Memorandum.

Consistent with the Liquidation Order, the GPV valuation will use the contractual maximum premium for all assumed YRT business except where SRUS is contractually precluded from raising YRT premiums and will assume that, as a result, any Cedent receiving such a rate increase will exercise their option (contractual or otherwise) to recapture their business on the next policy anniversary date following September 30, 2023 for each policy covered under the respective treaty rather than pay the increased rates. As a consequence, for the majority of YRT reinsurance the GPV will be the expected death benefits between (immediately following) September 30, 2023 and the next anniversary of each of the underlying policies covered under the treaty.

If a legal entity has multiple treaties with SRUS, the GPV will be separately calculated for each treaty and aggregated among the multiple treaties. If the aggregated amount at a legal entity level is negative (the present value of premiums is in aggregate greater than the present value of benefits and expenses), it will be capped at \$0.

In the event the legal entity has business that is secured by a trust and the GPV is greater than the amount received by the legal entity from disposition of the trust, the difference between the GPV and the amount received will be added to the cedent's claim.

The Liquidator will continue to accept liability for claims on inforce policies incurred prior to October 1, 2023, but reported after September 30, 2023, through the bar date. Given the continued acceptance of liability for claims, the present value of future losses will not include an amount for claims Incurred but Unreported ("IBNR").

Methodology

The GPV is calculated based on the present value of calendar year cash flows over the life of the treaty for Financial Solutions (“FS”) business and over a 50-year projection horizon for Traditional Solutions (“TS”) business. The cash flows consist of, as applicable, premiums, surrender benefits, death benefits, annuity benefits, commissions and expense allowances on assumed reinsurance, policy expenses, and overhead expenses. Consistent with the requirements of Actuarial Standard of Practice No. 22, the assumptions used are moderately adverse.

For a September 30, 2023 valuation, the GPV for TS business includes cash flows over the period from October 1, 2023, until September 30, 2073, when only an immaterial amount of the initial underlying business (less than 0.2%) remains inforce.

Assumptions

The liability assumptions underlying the GPV calculation are in accordance with those used by SRUS for its 2022 Actuarial Memorandum developed in support of the 2022 Actuarial Opinion other than expenses, moderately adverse spreads, and discount rates, which are set forth in the GPV Calculation Section, above. The assumptions for the TS business and FS business are described below.

Traditional Solutions

Mortality

The base mortality assumption is the Summit version 4 table. The Summit table is a proprietary table owned by Hannover Life Reassurance Company of America. The Summit mortality rates are adjusted based on experience, expected mortality improvement, mortality deterioration, and a provision for adverse deviation. These mortality adjustments are contained on pages 52-67 of the 2022 Actuarial Memorandum.

Termination

The lapse rates for are contained on pages 68-71 (level term period lapse rates and permanent lapse rates including net amount at risk run-off) and 56 (post-level term lapse rates).

Expenses

The expenses will be based on a per policy expense only including third party administration expenses. The third party administration expense level is consistent with the amounts on page 37 of the 2022 Actuarial Memorandum.

Financial Solutions

Mortality

The mortality assumptions used, if applicable, are summarized on page 76 of the 2022 Actuarial Memorandum.

Termination

The termination rates for annuities are the sum of non-interest sensitive termination rates and interest sensitive termination rates. The rates and methodology used are on pages 76-79 of the 2022 Actuarial Memorandum. Assumptions for annuity benefits, if applicable, are on page 79 of the Actuarial Memorandum.

Premiums

The premium assumptions for the applicable annuity and universal life business are on page 77 of the 2022 Actuarial Memorandum.

Policy.Expenses

The contractual policy maintenance expenses, if applicable, are on page 79 of the 2022 Actuarial Memorandum.

Overhead.Expenses

The contractual policy maintenance expenses are on page 79 of the 2022 Actuarial Memorandum.

Interest.Crediting

The interest crediting strategy for annuities is described on page 80 of the 2022 Actuarial Memorandum.

Moderately Adverse Spread Assumption

For FS treaties with an associated trust, a spread for moderately adverse investment/disintermediation risk was used in the GPV calculation. The spread was determined using the cost of capital method. The target capital for the liability was estimated at 300% of the company action level of NAIC risk based capital, with a required return of 15% of target capital.



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION :
OF SCOTTISH RE (U.S.), INC. : C .A. 2019-0175-JTL
: :
: :

**[PROPOSED] ORDER GRANTING THE RECEIVER’S VERIFIED MOTION
TO APPROVE THE RECEIVER’S PROCEDURES FOR CLAIMS NOT
ADDRESSED BY THE CEDENT REINSURANCE CLAIMS
AND TO ESTABLISH BAR DATE**

WHEREAS, on March 25, 2024, the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware (the “Commissioner”) in his capacity as the Receiver (“Receiver”) of Scottish Re (U.S.), Inc., in Liquidation (“SRUS”), has moved (the “Motion”) this Honorable Court pursuant to 18 *Del. C.* § 5902, for an Order Approving the Receiver’s Procedures for Claims Not Addressed by the Cedent Reinsurance Claims and to Establish a Bar Date (the “General Claims Procedures”);

NOW, THEREFORE, IT IS HEREBY ORDERED as of the date this Order is entered on the docket of the above-captioned matter that:

1. The Receiver’s Motion, including the exhibits thereto, contain sufficient evidence to support the conclusion that the General Claims Procedures are in the best interests of the SRUS estate, creditors and the public;
2. The Receiver’s Motion is hereby GRANTED;
3. The Procedures attached as Exhibit “1” to the Receiver’s Motion are hereby APPROVED and the Receiver is hereby AUTHORIZED and ORDERED to take any and all steps necessary to effectuate the terms of the General Claims Procedures; and

4. A Bar Date for the submission of claims subject to the General Claims Procedures is set for fifteen (15) months after entry of this Order.

IT IS SO ORDERED.

J. Travis Laster
Vice Chancellor

Dated: