



GRANTED

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
MOTION FOR APPROVAL OF ADMINISTRATIVE EXPENSES PAID
FROM JULY 18, 2023 TO DECEMBER 31, 2024**

PLEASE READ THIS ORDER CAREFULLY as it might affect your rights regarding Scottish Re (U.S.), Inc, in Liquidation. **If you do not file a timely response** to the Receiver's Motion for Approval of Administrative Expenses Paid from July 18, 2023 to December 31, 2024 (the "Administrative Expenses Motion") **by following the instructions in this Order to Show Cause, the Receiver's Motion to Approve Settlement will be determined as unopposed.** If you have no objection to the Administrative Expenses Motion, 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 in his capacity as the Receiver ("Receiver") of Scottish Re (U.S.), Inc., in Liquidation ("SRUS"), has filed the Administrative Expenses Motion;

WHEREAS, the Administrative Expenses Motion seeks judicial approval of the Receiver's expenses associated with administering the SRUS liquidation estate during the period from July 18, 2023 through December 31, 2024, and itemizes those expenses on a series of schedules attached to the Motion;

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

OBJECTION DEADLINE

1. Any interested party who has an objection to the Administrative Expenses Motion must file their objection under the procedures set forth in this Order **on or before November 6, 2025** (the “Objection Deadline”). Any party who objects to the Motion for Administrative Expenses must advise the Court of his objection to the Administrative Expenses Motion and the basis for their objection so that such objection is received by the Court on or before the Objection Deadline. **Any interested party who fails to notify the Court of their objection to the Administrative Expenses Motion by the Objection Deadline will be deemed to have waived any right to Court review of any objection that such party may have had to the Administrative Expenses Motion and to have abandoned any such objection.** *Any Interested Party who objects to the Administrative Expenses Motion shall be required to attend a hearing to present their objection.*

OBJECTION PROCEDURE

2. Notice of any objection to the Administrative Expenses Motion shall be filed in writing by the interested party with the Court at the Court’s address at:

Register in Chancery
Court of Chancery of the State
of Delaware
Leonard L. Williams Justice Center
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. No. 0175 - VCL
)

- b. the nature of the document being filed (i.e., Objection to Receiver's Motion for Approval of Administrative Expenses Paid from July 18, 2023 to December 31, 2024 and the name of the party on whose behalf such document is being filed;
- c. the name, address, and telephone number of the person filing the document;
- d. the date the document is being filed; and
- e. a summary of the grounds for the objection.

A HEARING WILL BE HELD ONLY IF NECESSARY

3. A hearing on the Administrative Expenses Motion 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: (1) post a copy of this Order to Show Cause, the Administrative Expenses Motion, and the proposed form of Order enclosed therewith, on the SRUS (in Liquidation) website; and (2) by first class mail, serve copies of this Order to Show Cause, the Administrative Expenses Motion, and the proposed form of Order filed therewith on all parties who have entered their appearances on the docket in this matter.

5. If no party files a timely objection to the Administrative Expenses Motion, the Court may enter an Order granting the relief sought by the Receiver.

IT IS SO ORDERED.

J. Travis Laster,
Vice Chancellor

Dated:

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: 77198612

Current Date: Sep 30, 2025

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 MOTION FOR APPROVAL OF ADMINISTRATIVE
EXPENSES PAID FROM JULY 18, 2023 TO DECEMBER 31, 2024**

The Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware and Receiver of Scottish Re (U.S.), Inc. ("SRUS" or the "Estate"), in Liquidation (the "Receiver"), hereby moves this Court pursuant to 18 *Del. C.* § 5902(a) for approval of expenses incurred in administering SRUS's liquidation estate from July 18, 2023 to December 31, 2024 (the "First Accounting Period"). In support of this Motion, the Receiver states the following:

1. On July 18, 2023, this Court entered an order placing SRUS into liquidation pursuant to Delaware's version of the Uniform Insurers Liquidation Act, 18 *Del. C.* § 5901, *et seq* (the "DUILA").¹ See (D.I. 799) ("Liquidation Order"). The Liquidation Order continued Commissioner Navarro's appointment as SRUS's Receiver, the company having been in rehabilitation pursuant to the DUILA since 2019.

2. The Liquidation Order directs the Receiver to "take possession of the property of SRUS [and] liquidate its business" (D.I. 799 ¶ 7). To fulfill this mandate, the Order authorizes the Receiver to "deal with the Assets, business and

¹ Although all of Title 18, Chapter 59 of the Delaware Code is devoted to insurance company delinquency, technically only Sections 5901(2)-(13), 5902, 5903, and 5913–5920 form the DUILA. See 18 *Del. C.* § 5920(a). Unless otherwise indicated, all subsequent statutory citations in this Motion refer to Title 18 of the Delaware Code.

affairs” of the company and to “take such actions as the nature of [the liquidation] and interests of the cedents, reinsurers, creditors, and stockholder of SRUS, and the public may require” *Id.* ¶ 9.

3. The Liquidation Order provides that:

The Receiver may employ or continue to employ and fix the compensation of such deputies, counsel, clerks, employees, accountants, actuaries, consultants, assistants, and other personnel (collectively, the "Designees") as considered necessary, and all compensation and expenses of the Receiver, the Deputy Receiver(s), and the Designees and of taking possession of SRUS and conducting this proceeding shall be paid out of the funds and assets of SRUS as administrative expenses under 18 Del. C. § 5913(f).^[2] The Receiver may also retain those of SRUS's current management personnel and other employees as Designees as he in his discretion determines would facilitate the liquidation of SRUS.

(D.I. 799 ¶ 29).

4. Consistent with insurance insolvency proceedings nationwide, the payments for the Receiver’s personnel and the expenses of the liquidation are not the subject of the proof of claim process in Delaware insurance insolvencies but instead are subject to a statutory process, and by way of Court orders. The procedure is set forth in 18 *Del. C.* § 5913(f) and ¶ 29 of the Liquidation Order

5. The DUILA provides that “all expenses of taking possession of the

² Section 5918(f) is consistent with the Liquidation Order. It provides, in pertinent part: “In connection with delinquency proceedings, the Commissioner may appoint 1 or more special deputy commissioners to act for the Commissioner, and the Commissioner may employ such counsel, clerks and assistants as necessary. The compensation of the special deputies, counsel, clerks or assistants and all expenses of taking possession of the insurer and of conducting the proceedings shall be fixed by the receiver, subject to the approval of the court, and shall be paid out of the funds or assets of the insurer”.

insurer and of conducting the [receivership] proceedings shall be fixed by the receiver, subject to the approval of the court, and shall be paid out of the funds or assets of the insurer.” § 5913(f).

6. Section 5918(e) provides first priority³ to:

The costs and expenses of administration expressly approved by the receiver, including but not limited to the following:

- a. The receiver's actual and necessary costs of taking possession of the insurer, preserving or recovering the assets of the insurer, and otherwise complying with this chapter;
- b. Reasonable compensation for all services rendered at the request of and on behalf of the receiver, or that receiver's appointed deputy receiver or receivers, in the liquidation by the receivership's employees and its retained attorneys, accountants, actuaries, claims adjusters, expert witnesses and other consultants; and
- c. All expenses incurred by the Department in supervising the receivership proceedings of the insurer.

§ 5918(e)(1)(a)–(c).

7. Historically, it is the usual and customary course and practice of the Receiver in Delaware liquidation proceedings to file an annual accounting on a calendar year basis sometime during or after the second quarter of the year following the reporting period.⁴ These annual accountings include the administrative expenses which have been incurred during the reporting period. Then, at the end of the

³ See § 5918(e) (“Every claim in each class shall be paid in full or adequate funds retained for such payment before the members of the next class shall receive any payment.”).

⁴ In most instances, the reporting period for the first accounting extends beyond a one-year period and also includes the prior partial year in which the liquidation order was entered. Thus, the first accounting reporting period often begins on the liquidation date and extends through December 31 of the year *following* the year in which the company was placed into liquidation.

liquidation proceeding, as part of the estate distribution and closing process, the Receiver seeks Court approval of all of the payments made by the Receiver during the liquidation.

8. The Receiver has become aware through objections filed to the Receiver's Motions to Approve four Proof of Claims Procedures, and thereafter at oral argument before the Court on July 21, 2025, that certain claimants either believe that the Receiver's expenses would be determined during the proof of claim process, or argue that the Receiver should deviate from prior practice and have such claims approved by the Court throughout the pendency of the liquidation proceeding.

9. Because there are no State Guaranty Associations involved in the SRUS liquidation proceedings, who typically reviews such expenses on a periodic basis in conjunction with early access petitions, the Receiver agrees to submit for approval the expenses incurred and identified in the annual accountings filed with the Court at or about the time when the accounting in which they are contained is filed with the Court.

10. Accordingly, contemporaneously with the filing of this Motion, the Receiver filed the First Accounting of the Receiver for the Period from July 18, 2023 through December 31, 2024, for Scottish Re (U.S.), Inc., in Liquidation (the "First Accounting"). The First Accounting contains, *inter alia*, a report of the Receiver's paid expenses on a cash basis from the date liquidation began (July 18, 2023) through year-end 2024.

11. The Receiver's expenses for SRUS during the First Accounting Period

generally include, but are not limited to: expenses for: recovering, preserving, and maximizing the assets of the Estate; determining the liabilities of the Estate by evaluating the claims of cedents and other creditors; managing company personnel and outside consultants; developing a comprehensive proof claims process customized to the SRUS liquidation proceedings; and conducting the day-to-day operations of the Estate.

12. This Motion include eight attached schedules which provide additional detail concerning the expenses paid and referenced in Part III, SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS, on page 27 of the First Accounting (for the reporting period from July 18, 2023 through December 31, 2024).

13. Schedule I states, by category, the expenses paid by the Receiver during the First Accounting reporting period. The remaining schedules identify the recipients who received payments for expenses or services for amounts over \$5,000, a description of the expenses or services incurred or rendered, and the amount paid. These Schedules are divided into the following categories:

- a. Schedule II – Personnel and Operating Expenses;
- b. Schedule III – General Vendors and Professional Services;
- c. Schedule IV – Legal Fees;
- d. Schedule V – Consultants;
- e. Schedule VI – Investment Related Expenses;
- f. Schedule VII – Software/IT Expenses; and
- g. Schedule VIII – Taxes/Fees.

14. Attached hereto as Exhibit “A” is the Affidavit of Deputy Receiver Michael J. Johnson (hereinafter “Johnson Aff.”), which sets forth his review and approval of the fees and expenses identified in Schedules I – VIII.

15. The costs and expenses set forth on Schedules I – VIII are reasonable in amount and have been necessary for the efficient and orderly administration of the SRUS Estate and for the liquidation of SRUS. (Ex. A, Johnson Aff. at ¶ 10).

16. As such, those amounts are Class I administrative expenses pursuant to § 5918(e)(1).

WHEREFORE, the Receiver respectfully requests that this Court approve the administrative expenses incurred by the Estate from July 18, 2023 through December 31, 2024, as shown on Schedules I–VIII of this Motion, and as reflected in the First Accounting.

BAYARD, P.A.

/s/ GianClaudio Finizio

GianClaudio Finizio (#4253)
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Wilmington, Delaware 19899
(302) 655-5000

WORDS: 1,434/3,000

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

Dated: September 30, 2025



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 GRANTING THE RECEIVER'S MOTION FOR APPROVAL OF
ADMINISTRATIVE EXPENSES PAID FROM JULY 18, 2023 TO
DECEMBER 31, 2024**

WHEREAS, the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware in his capacity as the Receiver ("Receiver") of Scottish Re (U.S.), Inc., in Liquidation ("SRUS"), has moved this Honorable Court pursuant to 18 *Del. C.* § 5902(a), for approval of administrative expenses incurred in the management of SRUS's liquidation estate from July 18, 2023 to December 31, 2024 (the "Administrative Expenses Motion");

WHEREAS, SRUS, prior to liquidation, was a Delaware-domiciled insurance company licensed by the Delaware Department of Insurance as a stock life and health reinsurance company;

WHEREAS, on July 18, 2023, this Honorable Court entered the Liquidation and Injunction Order in this matter (the "Liquidation Order"), which found SRUS to be insolvent and accordingly placed it into receivership;

WHEREAS, since entry of the Liquidation Order, the Receiver has incurred various expenses in connection with the management of SRUS's liquidation estate;

WHEREAS, this Court finds that the expenses detailed in the Administrative Expenses Motion are reasonable and necessary and that approving them is in the best interests of the SRUS estate, SRUS's creditors, and the public.

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 Administrative Expenses Motion, including the exhibits thereto, contains sufficient evidence to justify the expenses detailed therein, and to support the conclusion that approving these expenses is in the best interests of the SRUS estate, SRUS's creditors, and the public.

2. The Receiver's Motion is hereby GRANTED.

3. The expenses detailed in the schedules attached to the Administrative Expenses Motion are hereby APPROVED.

4. This Court shall retain jurisdiction over any matters relating to the implementation of this Order.

IT IS SO ORDERED.

J. Travis Laster, Vice Chancellor

Dated:



EXHIBIT “A”

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION
OF SCOTTISH RE (U.S.), INC.

:
: C.A. No. 2019-0175-JTL

AFFIDAVIT OF MICHAEL J. JOHNSON

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

1. I am the Co-Deputy Receiver of Scottish Re (U.S.), Inc., in Liquidation ("SRUS"). I was first appointed Co-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. I make this Affidavit in Support of the Receiver's Motion for Approval of Administrative Expenses paid by the SRUS Estate for the period from July 18, 2023 to December 31, 2024 (the "Motion").

2. I have approximately fifty 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 over twenty years of experience serving as the Deputy Receiver in the seizure, rehabilitation, and liquidation of financially troubled insurance companies or companies that are being operated in a condition that is hazardous to policyholders or the public. I have served the Insurance Commissioners of North Carolina, Vermont, Pennsylvania, and Delaware.

4. My duties as a Deputy Receiver include, but are not limited to, marshalling and preserving the assets of the troubled insurer (the “Estate”), making day-to-day operating decisions for the Estate, interacting with other regulatory bodies, creditors and other persons interested in the Estate, determining and addressing the causes of the insolvency, making determinations regarding timing and amounts of asset distributions, complying with all legal requirements and overseeing the strategic plans to maximize ultimate distributions with the approval of the Court.

5. To assist me in performing my duties as the Deputy Receiver, I assembled, retained, and directed a team of consultants in areas such as claims management, actuarial analysis, finance, information technology, and legal and I oversee retained SRUS personnel and vendors (“Liquidation Team”).

6. In addition to those stated above, my duties as Deputy Receiver also include the review and approval of fees and expenses associated with the ongoing operation and administration of the SRUS Estate including, but not limited to, those of the Liquidation Team. The fees and expenses associated with my services as Deputy Receiver, as well as Liquidation Team approvals, are separately reviewed and approved pursuant to the practice and requirements of the Delaware Department of Insurance with respect to matters involving insurance delinquency proceedings which include seizure, rehabilitation and liquidation.

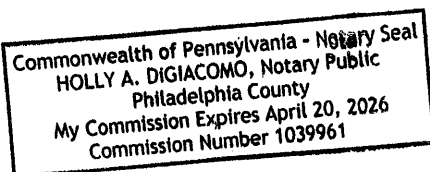
7. I have reviewed the Motion and the schedules attached thereto identifying the Estate’s administrative expenses for the period from July 18, 2023 to December 31, 2024.


8. Many of these expenses arise from the Liquidation Team's efforts to, among other things: marshal SRUS's assets, reorient its business infrastructure toward the liquidation process, and design a proof of claim process tailored to the SRUS liquidation. I have been personally involved in most if not all of these activities.

9. Other expenses concerning the operation of SRUS in liquidation have been submitted to me by SRUS finance personnel on a periodic basis for my review and approval.

10. Based on my familiarity with, and personal involvement in, the activities and direction of the Liquidation Team, my communications with SRUS personnel and consultants, my experience with insurer insolvencies and the wider insurance industry, and my review of the fees and expenses identified in the schedules attached to the Motion, I have determined that the expenses documented by the Motion and the attached schedules are reasonable and necessary to the efficient and orderly administration of the SRUS Estate and for the liquidation of SRUS.

SWORN TO AND SUBSCRIBED before me this 25 day of September 2025.




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


Notary Public
My Commission Expires: 4/20/26



EXHIBIT B

SCHEDULE I

Administrative Expenses 9/18/23 – 12/31/24

Personnel and Operating Expenses	\$7,507,832
<i>Costs for retained SRUS employees, rent on prior and current location, records storage, telephone and other administrative costs</i>	
General Vendors and Professional Services	\$2,383,222
<i>Fees for TPA services, tax consultant, ledger software maintenance, Peoplesoft consultant and third party claims determination</i>	
Legal Fees	\$2,627,173
<i>Fees for legal tasks performed in the representation of the Receiver and Deputy Receiver in the Delinquency Proceedings and in third party litigation</i>	
Consultants	\$2,221,348
<i>Fees for receivership management expenses, outside actuarial consulting, outside accounting services, and consulting relating to transfer of the claims system, evaluation of claims and information technology services</i>	
Investment Related Expenses	\$2,381,523
<i>Fees for investment management, investment consultants, custodial fees and other investment services</i>	
Software/IT Expenses	\$354,085
<i>Fees and expenses for cloud services, actuarial and financial software, and general software expenses</i>	
Taxes/Fees	\$89,893
<i>Federal and state taxes and fees</i>	
TOTAL	\$17,565,079

SCHEDULE II

Personnel and Operating Expenses

Vendor	Description	Amount
Genesys Software Systems, Inc. and Assure Software, Inc. (Payroll prior/current); Blue Cross/Blue Shield (health Insurance; Unum (other benefits); <i>et. al.</i>	Personnel expenses	\$7,216,216
Del. Bureau of Rehab. and Liq.	Reimbursement payments to DE Bureau of Rehabilitation and Liquidation for share of office expense	\$118,500
Iron Mountain	Records storage	\$38,546
Northwood BEP West LP	Final rent on prior office space	\$85,098
Premier Workspace	Rent on current NC space	\$13,733
Verizon Wireless	Telecommunications	\$14,081
Total for Vendors Under \$5,000		\$21,659
	Total Personnel and Operating Expenses	\$7,507,832

SCHEDULE III

General Vendors/Professional Services

Vendor	Description	Amount
Continuserve, LLC	PeopleSoft contractor	\$81,600
Forvis	Tax Consultants	\$197,941
Hannover Life Reassurance Co. of America	Third Party Administrator	\$2,055,034
Mary Fernald	Disputed claims contractor	\$48,648
	Total General Vendor/Professional Services Expenses	\$2,383,222

SCHEDULE IV

Legal Fees and Expenses

Attorney	Description	Amount
Bayard, P.A.	Representation of the Receiver and Deputy Receiver as local counsel and legal assistance to Black & Gerngross, P.C. in the below-listed activities	\$347,950
Black & Gerngross, P.C.	Representation of the Receiver and Deputy Receiver in all aspects of liquidation, including preparation of liquidation filings, development and execution of proof of claim process, claim/settlement negotiations and filings, communications with counsel for interested parties on liquidation, and third party litigation matters	\$2,056,235
Clifford Chance US LLP	Representation of the Receiver in the negotiation/preparation and review of Orkney II settlement transaction and related documents	\$124,124
Fox Rothschild LLP	Representation of former SRUS officer in third party litigation discovery matter	\$37,709
Mayer Brown LLP	Representation of former SRUS officer in third party litigation discovery matter	\$44,376
McGuire Woods	Representation of former SRUS officer in third party litigation discovery matter	\$16,778
	Total Legal Fees and Expenses	\$2,627,173

SCHEDULE V

Consultants

Consultant	Description	Amount
FTI	Financial consulting services relating to claims data transfer and claims evaluation	\$1,315,127
INS Consultants, Inc.	Administration and management of the liquidation estate, including day-to-day operation of the liquidation estate, marshaling assets, , overseeing strategic plans related to administration of estate, proof of claims process and working with attorneys and consultants in all aspects of the liquidation, interaction with claimants, counterparties and regulators	\$406,127
Kroll	Liquidation Support	\$176,715
PWC	Actuarial Services incurred in Rehabilitation (paid during liquidation)	\$99,231
Rubin Actuarial Consultants, Ltd.	Actuarial Services	\$220,198
Total for Consultants Under \$5,000		\$3,950
	Total Legal Fees and Expenses	\$2,221,348

SCHEDULE VI

Investment Related Expenses

Service Provider	Description	Amount
Barings LLC	Investment Managers	\$1,249,605
Bloomberg Finance LP	Investment Analytics	\$103,192
Ice Data Analytics, LLC	Investment Cash Flows/Analytics	\$246,483
Moody's Analytics	Ratings	\$112,075
S & P Global Market Intelligence	CUSIPs/Ratings	\$196,250
SS&C Technologies Inc	Investment Accountants	\$310,647
The Bank of New York Mellon	Custodial Fees	\$156,497
Wilmington Trust	Custodial Fees	\$5,023
Total for Service Providers Under \$5,000		\$1,750
	Total Investment Related Expenses	\$2,381,523

SCHEDULE VII

Software/IT Expenses

Service Provider	Description	Amount
Calltower Inc.	Telecommunications services	\$5,481
Concur Technologies Inc.	Cloud-based management services	\$6,989
Fortra LLC	Security/update Software	\$11,653
Milliman Inc.	Actuarial Software	\$125,326
Oracle America, Inc.	Finance Software	\$12,111
Phoenixnap	Cloud service	\$116,985
Polysystems, Inc	Actuarial Software	\$49,130
Softwareone Inc.	Enterprise/Cloud	\$11,140
Tierpoint	Cloud Services	\$9,110
Total for Service Providers Under \$5,000		\$6,160
	Total Software/IT Expenses	\$342,432

SCHEDULE VIII

Taxes/Fees

Taxes/Fees	Description	Amount
Intercompany Service Fees	Reimbursements from former affiliates (SRD and SRLB) for their share of employee expenses and tax consulting fees	(\$28,081)
Internal Revenue Service	Federal excise taxes	\$111,465
Total for Taxes/Fees Under \$5,000	Total for Taxes/Fees Under \$5,000	\$6,509
	Total Taxes/Fees	\$89,893



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
: _____
:

**FIRST ACCOUNTING OF THE RECEIVER, THE HONORABLE TRINIDAD
NAVARRO, FOR THE PERIOD FROM JULY 18, 2023 THROUGH
DECEMBER 31, 2024, FOR SCOTTISH RE (U.S.), INC., IN LIQUIDATION**

BAYARD, P.A.

/s/ GianClaudio Finizio

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Wilmington, Delaware 19899
(302) 655-5000

WORDS: 6,769

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

Dated: September 30, 2025

I. INTRODUCTION

Consistent with past practice in Delaware liquidation proceedings, this First Accounting of the Receiver, the Honorable Trinidad Navarro, is for the period from July 18, 2023 through December 31, 2024 for Scottish Re (U.S.), Inc. in Liquidation (“SRUS” or the “Estate”). It contains a summary narrative description of SRUS pre and post liquidation¹ and reflects the financial condition of the Estate for the period from July 18, 2023 (the date the Liquidation Order was entered) to December 31, 2024. Beginning with the Second Accounting (for the period from January 1, 2025 to December 31, 2025), and continuing annually thereafter, the Receiver will file an accounting mid-year of the year following the reporting period. Prior to liquidation, the Receiver had provided the following *pro forma* draft financial statements for SRUS in the statutory form: Draft 2022 Annual Statement (DI 797, Barber Aff., Ex. A); Draft 2021 Annual Statement (DI 634); Draft 2021 Second Quarter Financial Statement (DI 634); 2020 Annual Statement (DI 545); and 2019 Draft Annual Statement (DI 466).

On March 6, 2019, due to SRUS’s financial impairment, the Delaware Court of Chancery (“Chancery Court”) entered a Rehabilitation and Injunction Order

¹ The docket in this proceeding is copious, containing over 1,000 entries. For this reason, the narrative of this First Accounting stated in Parts I through III, may not be as detailed as the first accounting in some other Delaware estates. For more information about the background of these delinquency proceedings (rehabilitation and liquidation), please refer to the *Verified Petition for Entry of Rehabilitation and Injunction Order* (DI,1); *Receiver’s Verified Petition to Approve Release and Settlement Agreement with John Hancock Life Insurance Company (U.S.A.) and John Hancock Life Insurance Company of New York* (DI, 369); *Receiver’s Petition to Approve the Rehabilitation Plan of Scottish Re (U.S.), Inc.* (DI, 488); *Receiver’s Verified Petition for Approval of Pre-Plan Partial Loss Payments from Scottish Re (U.S.), Inc. to Certain Cedents* (DI, 590); *Receiver’s Motion for Approval of the Modified Plan of Rehabilitation of Scottish Re (U.S.), Inc.* (DI, 690); *Motion for the Entry of a Liquidation and Injunction Order* (DI, 797).

(“Rehabilitation Order”) that placed SRUS into rehabilitation under 18 *Del. C.* §§ 5903 and 5905. The Rehabilitation Order appointed the Honorable Trinidad Navarro, Insurance Commissioner (“Commissioner”) of the State of Delaware, as Receiver. At that time, the Receiver anticipated that it would take approximately four months to develop a rehabilitation plan to address and remove the causes of SRUS’s financial impairment. The plan was based on the Receiver’s expectation that a successful Chapter 11 Plan for SRUS’s parent, Scottish Annuity & Life Insurance Company (Cayman) Ltd. (“SALIC”), that would also, indirectly address SRUS’s financial impairment. However, the Chapter 11 Plan was not successful. When the proceeding was converted to a Chapter 7 proceeding, the Receiver had to develop a new plan. Subsequent attempts to develop such a plan were not successful as noted below in Part III(A).

On July 18, 2023, the Chancery Court found that SRUS was insolvent and entered an order (“Liquidation Order”) placing SRUS into liquidation pursuant to Delaware’s version of the Uniform Insurers Liquidation Act, 18 *Del. C.* § 5901, *et. seq.* (the “DUILA”). As noted in the Complaint for Entry of a Liquidation Order, SRUS’s 2022 Annual Financial Statement reflected that, without the terms and conditions of a Rehabilitation Plan being in effect, SRUS had a negative capital and surplus of \$710,356,294.² The Liquidation Order continued the appointment of the Commissioner

² It is the practice in Delaware that statutory financial statements are not filed with the Department while an insurer is in rehabilitation or liquidation. However, as a guide to the creditors SRUS and the Court regarding the rehabilitation and the financial challenges for SRUS to operate as a going concern, the Receiver filed several *pro forma* financial statements with the Court that follow the statutory form.

as Receiver of SRUS and likewise continued, *inter alia*, to vest title and control of SRUS, its assets, and operations in the Receiver. The Liquidation Order kept in place injunctions previously imposed by the Rehabilitation Order to protect the Estate, its creditors, and the Receiver from interference and the dissipation of assets.

As of December 31, 2024, the market value of SRUS's total assets (cash or investments) of \$1,268,534,928 of which \$641,282,720 was unrestricted.³ Total investment income during the reporting period of \$58,313,394 exceeded operating disbursements of \$17,565,078 (personnel and operating expenses, vendor and professional services, expenses legal fees and expenses, investment related expenses, software/IT expenses, and taxes/fees) by \$40,748,316. It should be noted that during the rehabilitation, although cash loss payments of claims by SRUS were suspended, cedents received the benefit of loss payments through: (a) offsets taken under the Offset Plan promulgated by the Receiver; (b) approved Pre-Plan Partial Loss Payments; (c) distributions from reinsurance trusts. In the aggregate, these payments totaled \$1,421,663,105. Further, while in liquidation, through December 31, 2024, the Receiver

³ As noted in the Receiver's Verified Motion to Approve Receiver's Procedures for Cedent Reinsurance Claims and to Establish Bar Date (DI 853) referenced in Part III(D)(3) of this First Accounting and Receiver's Verified Motion to Approve Receiver's Procedures for Claims Not Addressed by the Cedent Reinsurance Claims Procedures and to Establish Bar Date (DI 846) referenced in Part III(D)(4) of this First Accounting, given the long standing business relationships between SRUS and the cedents, and the fact that the financial and other data regarding that relationship was provided by the cedents, unlike most estates, SRUS was in the position of being able to calculate the amount of the unpaid and undisputed claims as of September 30, 2023 and the value of the loss to a cedent arising from the termination of the reinsurance agreement. However, these liabilities do not include the additional liabilities that may be associated with proof of claims that have not yet been filed by claimants nor the value of disputed claims. It is expected that the amount of the liabilities may exceed \$1 billion.

has distributed \$74,346,234 from reinsurance trusts to cedent beneficiaries of those trusts.⁴ In addition, cedents have taken offsets of \$177,768,761.

II. SRUS PRE AND POST DELINQUENCY OPERATION

A. PRE-DELINQUENCY OPERATIONS

Prior to entry of the Liquidation Order, SRUS had been a Delaware domiciled insurance company licensed and regulated by the Delaware Department of Insurance (“the Department”) as a stock life and health company since 2007. SRUS has four broad business types: Yearly Renewable Term (YRT) Business, Life Coinsurance Business, Accident and Health Business, Coinsurance Business, and Annuity Coinsurance Business.

SRUS is strictly a reinsurer. It does not write direct insurance policies and has no policyholders. Instead, it places reinsurance⁵ through contractual arrangements with cedents⁶ and retrocessionaires.⁷ SRUS had been in run-off since 2008 when it stopped accepting new risks under existing reinsurance agreements and writing new reinsurance business. While in run-off, SRUS continued to perform key activities and managed the business under the terms and conditions of the

⁴ **Subsequent Events Regarding Trust Distributions:** Between January 1, 2025 and the date of the filing of this First Accounting, the Receiver has distributed an additional \$935,954 from reinsurance trusts to cedent beneficiaries of those trusts.

⁵ “Reinsurance” refers to insurance bought by insurers. A reinsurer assumes part of the risk and part of the premium originally taken by the insurer, known as the cedent.

⁶ A cedent is the original insurer that issues a policy to an insured; the insurance company that purchases reinsurance from SRUS. The terms and conditions of this agreement are referred to herein as the “reinsurance agreement”.

⁷ A retrocessionaire is a reinsurer that contractually accepts from another reinsurer (a retrocedent) a portion of the cedent’s underlying reinsurance risk. The terms and conditions of this agreement are referred to herein as the “retrocession agreement.”

related reinsurance and retrocession agreements.

By late 2018/early 2019, the Department was advised that the financial records of SRUS showed an emerging negative surplus and increasing loss projections due to several factors. They included: (a) a substantial payment due in the fourth quarter of 2018 would not be made from SRUS's parent, SALIC, to SRUS due to SALIC's Chapter 11 Bankruptcy which resulted in a write-off that would impair the capital and surplus of SRUS; and (b) significant adverse mortality development in 2018, particularly in the YRT life reinsurance book,⁸ which required an increase in SRUS's reserves for future expected losses in amounts that would greatly reduce or exceed SRUS's capital. Either factor, standing alone, resulted in SRUS being unable to achieve and maintain solvency.

B. POST-DELINQUENCY OPERATIONS OF SRUS

Financially distressed insurance companies are subject to state delinquency statutes like the DUILA rather than federal bankruptcy law. As the principal insurance regulator for the State of Delaware, Commissioner Navarro, through the Department, monitors the financial health of Delaware-domiciled insurance companies and determines when delinquency proceedings are warranted. The DUILA authorizes the Commissioner to petition the Court to seize, rehabilitate, or liquidate the estate of an insolvent insurer, or to place the insurer under regulatory supervision, as circumstances dictate. 18 *Del. C.* §§ 5910, 5911, 5942, 5943.

⁸ YRT reinsurance is a form of life reinsurance under which the risks, but not the permanent plan reserves, are transferred to the reinsurer for a premium that varies each year with the amount at risk and the ages of the insureds.

The Commissioner initiates a rehabilitation or liquidation proceeding (“Delinquency Proceedings”) by filing a complaint with this Court. *See* 18 *Del. C.* § 5903. Thereafter, the Receiver, his Deputy Receiver(s), and their representative administer the affairs of the delinquent insurer under this Court’s supervision.

1. Rehabilitation

On March 6, 2019, this Court entered a Rehabilitation and Injunction Order (the “Rehabilitation Order”). The Order placed SRUS into Rehabilitation under 18 *Del. C.* §§ 5903 and 5905, appointed the Commissioner as the Receiver, and entered certain injunctive relief. Based upon the evidence submitted to the Court, the Rehabilitation Order found that SRUS was impaired, in unsound condition and, *inter alia*, directed the Receiver “to continue his examination of the Assets, business, and affairs of SRUS and to take such steps to remove the causes of SRUS’s impairment, unsound condition, or hazardous condition pursuant to the provisions of 18 *Del. C.* ch. 59 as he deems necessary” and authorized the Receiver “...to take such actions as the nature of this cause and interests of the cedents, creditors, and stockholders of SRUS and the public may require, subject to Court approval as required by 18 *Del. C.* ch. 59.”

When the Receiver’s Petition for Entry of the Rehabilitation Order was filed, it was anticipated that it would take approximately 120 days to develop a rehabilitation plan to address and remove the causes of SRUS’s financial impairment. This was based upon the expectation that a successful Chapter 11 Plan for SRUS’s parent, SALIC, would be consummated and an investor would purchase

SALIC and infuse needed capital into SRUS. This infusion would cure SALIC's overdue obligations to SRUS and then the most unprofitable YRT business would be separately addressed.

However, by May 2019, the prospect of a Chapter 11 Plan was gone, and the proceeding was converted to a Chapter 7. There was no buyer of SALIC, no additional capital infusion, and a topping off payment to shore up SALIC retrocession obligations to SRUS would not occur. This fundamental change in circumstances required the Receiver to develop a new and different rehabilitation plan from scratch.

While in rehabilitation, the Receiver, through his Deputy Receivers, and with the assistance of outside professional advisors, SRUS management, and employed professionals (collectively the "Rehabilitation Team"), conducted examinations, analysis and review of the causes of SRUS's financial impairment to determine what steps, if any, could be taken to remove the cause(s) that made rehabilitation necessary. Through this process four contributing causes to SRUS's financial impairment were identified: (a) a significant amount of the SRUS's assumed YRT business was underpriced resulting in a large disparity between the YRT premiums received by SRUS from the cedent and the amount of the YRT death benefits paid by SRUS to the cedent; (b) unaffiliated retrocessionaires were receiving from SRUS excessive retrocession premiums when compared to the retroceded losses paid to SRUS; (c) there was a large number of unanticipated death claims that are disputed by SRUS due to lack of insurable interest; and (d) persistently low interest rates suppressed investment income, particularly affecting non YRT insurance products

such as annuities. Of these causes, the primary cause of SRUS's financial distress arose from the underpricing of some of SRUS's YRT business. For example, during the years 2019 through 2021 (inclusive) the total YRT premiums paid to SRUS were \$821 million and the corresponding total YRT death benefits incurred by SRUS were \$973.7 million for a cumulative shortfall over those years of \$152.6 million. The Receiver developed two rehabilitation plans: a Rehabilitation Plan and a Modified Plan. Both plans were designed to return SRUS to solvency.⁹ However, beginning

⁹ The Rehabilitation Plan, which was designed conservatively, sought to address SRUS's insolvency by, *inter alia*, strengthening certain prescribed statutory reserves and improving projected cash flows. Broadly, the plan offered cedents two choices: under Option A, a cedent would elect to stay with SRUS with certain modifications to their reinsurance relationship with SRUS while SRUS was in rehabilitation, including targeted rate increases that addressed the SRUS cedent businesses that contributed most to the insolvency; and Option B, in which a cedent would elect to terminate its business relationship with SRUS, while receiving a percentage of its outstanding unpaid amounts due and a portion of the economic benefit of its reinsurance agreement. Cedents that elected Option A, would receive a cash payment of 87.5% of the cedent's claims for outstanding losses due but not paid through 12/31/20 and the remaining 12.5% through preferred stock with the same ratio and terms applied on a going forward basis (post-12/31/20). Under the Rehabilitation Plan, SRUS was projected to retain earnings to achieve its targeted financial results in approximately 5 years or less.

The Modified Plan also made substantial cash payments (87.5%) to its counterparties for undisputed past due claim amounts and future claim amounts when paid and due; paid the balance (12.5%) of past due and future amounts in senior notes that would be repaid in cash when important financial benchmarks were attained by SRUS; corrected the underpriced YRT business through a rate increase that applied the same criteria to all YRT cedents and assessed a rate increase on those cedents that exceeded a projected loss ratio (86%) in a percentage designed to lower that affected cedent's loss ratio to a target loss ratio (86%) applied to all YRT cedents; gave those YRT cedents that received a rate increase the opportunity to terminate all of their YRT business and receive a discounted percentage (70%) on past due amounts with an opportunity through subordinated notes to receive up to the unpaid balance (30%) if certain financial benchmarks were attained; and increased the retention limit on unprofitable retrocessions. The Modified Plan proposed to accomplish these features with an annual earnings target consistent with company returns in line with the market (9% to 15%). If achieved, under the Modified Plan SRUS was projected to retain earnings to achieve its targeted financial results in 7-9 years. Essentially the same group of objectors that filed objections to the Proof of Claim Procedures referenced in Part III (D)

in the first quarter of 2023, while the Receiver's Motion for Approval of the Modified Plan of Rehabilitation of SRUS was pending determination, SRUS began to experience worsening adverse mortality that was attributable to factors including COVID – direct and indirect – and lower term insurance policy lapse rates which led to greater projected future losses. Even though the plan as designed could withstand these financial challenges, solvency would not occur until five (5) to eight (8) years later than previously projected. After further analysis by the Rehabilitation Team, the Receiver concluded that the longer time needed to attain solvency and sufficient surplus introduced uncertainties such that the Receiver concluded that SRUS should be liquidated.

2. Liquidation

When it became apparent that the rehabilitation would not be successful, the Commissioner petitioned the Court on July 14, 2023 (the Liquidation Complaint”), for the entry of the Liquidation Order. The Complaint was supported by Affidavits of Michael J. Johnson, Deputy Receiver, Randall Barber, SRUS Head of Finance, Ryan Fuhs, SRUS Chief Actuary, and Gregg Klingenberg, SRUS Chief Executive Officer, General Counsel, and Corporate Secretary, and included Resolutions Adopted by the Board of Directors of SRUS in which the Board consented to liquidation. On July 18, 2023, the Court granted the relief requested in the Complaint and entered the Liquidation Order. The Liquidation Order declared SRUS

(3)-(5) and (8) of this First Accounting also objected to the Rehabilitation Plan and Modified Plan.

insolvent and continued the appointment of the Commissioner as Receiver in liquidation. The Receiver continued the appointment of Mr. Johnson and Eugene T. Reed as Co-Deputy Receivers. Ordinarily, the Liquidation Order's finding of insolvency would trigger the coverage of state guaranty associations but because SRUS was strictly a reinsurer and had no policyholders, there is no state guaranty fund coverage. As noted above in Part I, the Liquidation continued, *inter alia*, to vest title and control of SRUS, its assets, and operations in the Receiver and to maintain injunctions previously imposed by the Rehabilitation Order to protect the Estate, its creditors, and the Receiver from interference and the dissipation of assets.

a. The Operations of SRUS

By statute, the Receiver has several duties or activities that he and his deputies perform in administering the Estate. They include, marshaling, collecting and conserving Estate assets, overseeing the proof of claims process ("POC Process"), and maximizing the later payment of claims such that the process and distribution is efficient and fair to all creditors within the guidance and framework of the DEUILA and custom and practice in Delaware insurance delinquency proceedings. The POC Process is outlined generally by Sections 5911(a), 5915-19, 5922, and 5924-29 of the DUILA. They allow for the determination of the priority class and value of claims against insurers in liquidation. The DUILA's framework is often skeletal leaving much to the expertise and discretion of the receiver when administering the liquidation estate. This flexibility allows receivers to exercise their discretion, guided by the contours of the statute, and to adapt their approach to the POC

Process when warranted. This is illustrated by the custom and practice of Delaware receivers who generally tailor the POC Process for the specific lines of insurance and circumstances of an insolvent insurer.

In addition to these duties, representatives of the Receiver also oversee the daily operations of SRUS. The primary activities during the period of this accounting include, but are not limited to: the collection of assets; the wind-down and severance of the business relationship the third party administrator, Hannover Life Reassurance Company of America; the development and finalization of proof of claim procedures and related forms to enhance the typical proof of claim process by addressing unique aspects of the SRUS liquidation proceedings to make the process more efficient and benefit the estate creditors as a whole; communications with counterparties regarding the proof of claim procedures; preparation of financial information related to the proof of claim procedures; communications and negotiations with counterparties to commute certain reinsurance/retrocession relationships; communications with counterparties to resolve disputes regarding claims to assets in reinsurance trusts; and addressing inquiries from counterparties regarding the liquidation proceedings and the proof of claim process generally.

b. Litigation By and Against SRUS in the Liquidation Proceedings

The Estate is, and has been, engaged in various litigation matters as both a movant and respondent. To date, these matters have been brought in the liquidation proceedings. They include:

1. Motion of NW Hall Building LP to Confirm Rejection and Compel Termination

On November 17, 2023, the landlord of SRUS's business location in Charlotte, North Carolina, NW Hall Building LP ("NW Hall"), filed a Motion to Confirm Rejection and Compel Termination of Nonresidential Real Property Lease and for Related Relief ("Motion to Confirm and Compel") (DI 811).

On December 16, 2023, the Receiver filed an objection to the relief requested in NW Hall's Motion to Confirm and Compel (DI 814).

Afterward, the Receiver and NW Hall entered into negotiations regarding the motion and resolved it. On December 21, 2023, the Court granted a Stipulation and Proposed Order to Resolve Motion to Confirm Rejection and Compel Termination of Nonresidential Real Property Lease and Related Relief (DI 817). The matter is concluded and closed.

2. Receiver's Verified Motion to Approve Release and Settlement and Recapture Agreement with Scottish Re (Dublin) dac

On February 7, 2024, the Receiver filed a Verified Motion to Approve a Release and Settlement Agreement and Recapture Agreement with Scottish Re (Dublin) dac ("SRD") (DI 824). SRD is a direct wholly owned subsidiary of SALIC, a Cayman Islands company, and SRUS's indirect parent. SALIC is a wholly owned subsidiary of Scottish Re Group Limited ("SRGL"), also a Cayman Islands company, and SRUS's ultimate parent. Prior to SRUS's liquidation, SRD was an affiliated reinsurer to SRUS. SRD is regulated by the Central Bank of Ireland. SRD's sole business and source of income (aside from investment income) arose from two reinsurance treaties with SRUS. Each treaty had funds deposited in separate accounts known as the RCT

Account and the FW Account. The settlement that was the subject of the motion resolved a dispute between the parties that resulted in a recapture by SRUS of the business it ceded to SRD. In the settlement, and as a matter of comity to the Central Bank, the parties agreed that SRD would receive \$1,000,000 from the RCT Account and SRD would waive all claims to the balance of \$5,600,000 in the account. SRD also released all claims to the balance of the FW Account as well as all other claims as to SRUS, including proofs of claim.

The Court granted the Receiver's motion on March 15, 2024 (DI 842).

3. Receiver's Verified Motion to Approve Receiver's Procedures for
Cedent Reinsurance Claims and to Establish Bar Date

On March 26, 2024, the Receiver filed a Verified Motion to Approve the Receiver's Procedures for Cedent Reinsurance Claims and to Establish Bar Date (DI 853). These Procedures (DI 853, Ex. 1) apply to Cedent Reinsurance Claims that allege amounts due and owing from SRUS to Cedents based on deaths occurring on or before September 30, 2023 and the Receiver's determination of those claims. Cedent Reinsurance Claims constitute the largest category of claims against the Estate. The procedures are the exclusive means for evaluating and determining these claims. They provide a standardized and efficient process to evaluate and determine these claims. Claims that fall within this group arise from ordinary course business dealings. Unlike other claims, Cedent Reinsurance Claims are relatively uniform, mature, involve settled financial data, and are straightforward to calculate. The procedures leverage the straightforward nature of Cedent Reinsurance Claims to streamline and expedite the Proof of Claim process and to ensure the orderly,

expeditious, and equitable resolution of such Claims. The procedures should expedite and minimize disputes regarding SRUS's collection of reinsurance proceeds from its retrocessionaires. They also identify disputed claims and funnel them to the forthcoming dispute resolution procedures. They allow SRUS, claimants, and the Court to focus on other types of claims and issues including disputes.

4. Receiver's Verified Motion to Approve Receiver's Procedures for Claims Not Addressed by Cedent Reinsurance Claims Procedures and to Establish Bar Date

On March 25, 2024, the Receiver filed a Verified Motion to Approve Receiver's Procedures for Claims Not Addressed by the Cedent Reinsurance Claims Procedures and to Establish Bar Date (DI 846). 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"). The 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. 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.

These procedures have been proposed because the Receiver has determined that under the specific circumstances of the SRUS Liquidation, they act to minimize the cost and expense of the Proof of Claims Process, should lead more quickly to the determination of claims, and reinsurance recoveries, they are fair to SRUS's claimants and creditors, and are in the best interests of SRUS's Estate.

5. Receiver's Verified Motion to Approve the Receiver's Dispute Procedures

On April 17, 2024, the Receiver filed a Verified Motion to Approve the Receiver's Dispute Procedures (DI 853). These procedures apply to disputes that arise out of claims made with the SRUS estate ("Dispute Procedures"), pursuant to the Receiver's Cedent Reinsurance Claims Procedures and General Claims Procedures. The objective of the Dispute Procedures is to provide a standardized process to evaluate disputed claims, provide a path for their possible resolution, and enable the Receiver to provide a tailored recommendation to the Court for an effective final determination process. It should be noted that due to the large volume of reinsurance contracts that are implicated in the proof of claim process, in the absence of procedures designed to: expedite the final determination of undisputed claims valuations, identify disputed claims, and streamline the process for final determination, there is a significant risk that Estate assets will be needlessly and significantly dissipated through the typical or standard proof of claims process. The Dispute Resolution Procedures have features to address this concern. They include information review features and the assignment of dispute tracks. The information review process provides flexibility to allow the Receiver to further evaluate a claim

considering additional information. The additional information may also aid the Receiver when organizing, assigning, and routing disputed claims to the most appropriate and efficient track for dispute resolution. There are three Dispute Determination Tracks: (1) Reconciliation Disputes; (2) Combined Disputes; and (3) Standard Disputes. These separate tracks facilitate the efficient resolution or determination of claims, reduce Estate expenses, and preserve Estate assets for final distribution to claimants.

The Dispute Procedures begin after claimants have submitted Proof of Claims to the Receiver and the Receiver has provided claimants with a Notice of Determination as set forth in the claims procedures.

6. Hannover Life Reassurance Company of America's Motion to Confirm Termination of Second Amended and Restated Administrative Services Agreement and Related Relief

On May 13, 2024, Hannover Life Reassurance Company of America ("Hannover") filed a Motion to: (I) Confirm Termination of Second Amended and Restated Administrative Services Agreement and (II) for Related Relief. ("ASA Motion") (DI 864). This Motion sought termination of the agreement ("ASA") pursuant to which Hannover had performed third-party administrator ("TPA") services for SRUS prior to liquidation, as well as certain payments allegedly due thereunder. Hannover filed this Motion amid ongoing negotiations with the Receiver concerning the proper compensation for Hannover's assistance post-liquidation and in transferring its TPA responsibilities to the Receiver's staff or consultant. The Receiver filed an opposition to the Motion (DI 885) noting that the ASA automatically

terminated on September 30, 2023 and that the ASA’s payment methodology did not apply.

7. Receiver’s Motion for Contempt Against Hannover Life Reinsurance [sic] Company for Violation of the Liquidation and Injunction Order and for Relief Under 18 *Del.C.* Section 5904(b)

Hannover initially indicated it would continue to provide the Estate with TPA transition services during the pendency of the ASA Motion. That changed, however, during discussions between counsel in late May 2024. Accordingly, on June 7, 2024, and contemporaneous with his response to the ASA Motion, the Receiver filed a “Motion for Contempt Against Hannover Life Reinsurance Company for Violation of the Liquidation and Injunction Order and for Relief Under 18 *Del. C.* Section 5904(b).” (“Motion for Contempt”) (DI 889). In the Motion, the Receiver contended Hannover’s withholding of transition services violated paragraph 17 of the Liquidation Order, which prohibits interference with the Receiver and his designees in the performance of their duties as such. *See* (DI 799 ¶ 17). The Receiver also relied on 18 *Del. C.* § 5904(b), which authorizes the court overseeing the liquidation proceedings to “issue . . . injunctions or orders as may be deemed necessary to prevent interference with the Commissioner or the proceeding or waste of the assets of the insurer”

The Receiver and Hannover have since settled the dispute underlying the ASA Motion and the Motion for Contempt. The parties stayed these Motions by stipulation for the remainder of 2024 while they negotiated terms.¹⁰

¹⁰ **Subsequent Event Regarding Settlement:** After the reporting period covered by this Accounting, the Court approved a final settlement agreement between Hannover and the Receiver (DI 1007) (order entered July 14, 2025).

8. Receiver's Verified Motion to Approve the Receiver's Proposed Final Determination Procedures

On June 17, 2025, the Receiver filed a Verified Motion to Approve the Receiver's Proposed Final Determination Procedures (DI 921). These procedures apply to the Chancery Court's final determination of proofs of claim pursuant to Section 5917(c) and (d) of the Delaware Uniform Insurers Liquidation Act (codified at 18 *Del. C.* ch. 59) following the submission of the Receiver's Recommendation to the Court. They are referenced in the Receiver's Cedent Reinsurance Claims Procedures, General Claims Procedures, and Dispute Resolution Procedures (collectively the "Claims Procedures") filed with the Court on March 25 and April 17, 2024, respectively. The Claims Procedures recognize the insurance insolvency expertise of the Receiver and the supervisory role of the Court. They also minimize the expenses to the SRUS Estate thereby increasing the amount of assets available for distribution to creditors. These procedures balance the procedural due process rights of the affected claimant(s), the preservation of Estate Assets, and the conservation of judicial resources within the statutory framework of the DUILA. The objective of the procedures is to minimize the cost and expense of the proof of claim process, and to foster a quicker resolution of undisputed and disputed claims and ultimately final distribution of Estate assets to creditors. The procedures further these objectives by providing a mechanism: (a) for the expedited determination of agreed-upon claims through the submission of documents identifying the facts regarding the Proof of Claim and the parties' agreement such that the Court may,

without an evidentiary hearing, allow in part, or disallow the claim; (b) for resolving disputed claims that do not concern complicated issues of law or fact with an opportunity for all parties to be heard by the submission of documents and an evidentiary hearing only if ordered by the Court; and (c) for matters in which there are complicated issues of law or fact for the Receiver to suggest to the Court the hearing procedures to determine such claim, with the opportunity for a claimant to object to the Receiver's suggested procedures.

9. Objections of Certain Cedents/Retrocessionaires to
the Receiver's Proof of Claim Procedures

After the motions to approve the procedures referenced in numbers 3, 4, 5, and 8 above were filed, the Court entered orders to show cause setting the following deadlines for filing objections to the procedures:

(a) Mot. to App. Cedent Reinsurance Claims Procedures (DI 849)	: 4/24/24
(b) Mot. to App. Cedent Termination and All Other Claims (DI 848)	: 4/24/24
(c) Mot. to App. Dispute Resolution Procedures (DI 856)	: 5/17/24
(d) Mot. to App. Final Determination Procedures (DI 940)	: 7/17/24

The Receiver agreed to extend the original objection deadlines for the Claims Procedures to the Dispute Resolution Procedures deadline of May 17, 2024 (DI 858), then agreed to extend the objection deadline for all three motions to May 31, 2024 (DI 869), and thereafter to June 14, 2024 (DI 878). The objection deadline for the Motion to Approve the Final Determination Procedures was not extended. The Receiver's deadline to respond to the objections was August 16, 2024.

On June 14, 2024, certain cedents and retrocessionaires filed objections to the claims and dispute procedures (DI 901, 902, 903, 904, 906, 913, 915, and 917). Other

cedents filed joinders to the objections filed by other cedents and retrocessionaires (DI 905, 907, 908, 911, 912, 916, and 918).

On July 17, 2024, certain cedents and retrocessionaires also filed objections to the final determination procedures (DI 941 and 945). Other cedents also filed joinders to the objections filed by other cedents and retrocessionaires (DI 942, 943, and 946).

On August 14, 2024, the Receiver filed an unopposed Motion for Leave to File Omnibus Reply and Enlarge Rule 171(F) Word Limitation (DI 953). On August 16, 2024, the Receiver filed a Reply to Objections to Approve Four Procedures for the Proof of Claim Process (DI 956).¹¹ As noted in the Receiver's Reply, the objections consisted of: (a) combined objections on behalf of a group of cedents to the first three Proof of Claim Procedures and combined objections by a substantially similar group to the Final Determination Procedures; claimant-specific objections filed by seven claimants or claimant groups to the first three Proof of Claim Procedures and claimant specific objections to the Final Determination Procedures; and (c) eleven separate joinders, several of which raise separate cedent-specific objections. Eight were filed to the first three Proof of Claim Procedures and three were filed to the Final Determination Procedures. As referenced in the Receiver's Reply, many of the objections were premature and mooted by the Receiver's proposed resolution to them. The other objections lacked merit, were unsupported, or in certain cases were improper because they did not address the procedures but instead sought to compel the Receiver to take action on matters not part of the Proof of Claims Process. In

¹¹ Both the Reply (DI 956) and an Order (DI 955) approving the request to file an Omnibus Reply (DI 953) were docketed on August 19, 2024.

addition to the Combined Cedents' Omnibus Objections, nineteen other objections raise claims which, while containing some individual objections, largely duplicated already existing objections, at times explicitly joining those objections, and at times simply repeating or rephrasing objections which had been made by other objectors.

Thereafter, on October 25, 2024, certain cedents and retrocessionaires filed a Notice of Outstanding Objections Concerning Receiver's Proposed Proof of Claim Procedures (DI 969). In the notice, certain cedents and retrocessionaires made a request to the Court for additional briefing on certain issues. As of this reporting period, the motions and request for additional briefing were pending with no further activity.¹²

10. Receiver's Motion to Approve a Settlement Agreement and Release with Orkney Re II PLC and Assured Guaranty UK Limited and the Related Recapture Agreement

On December 30, 2024, the Receiver filed a Motion to Approve a Release and Settlement Agreement with Orkney re II PLC and Assured Guaranty UK Limited, and the Related Recapture Agreement (DI 971). This Motion reflects a settlement reached between SRUS and Orkney re II PLC ("Orkney"), a formerly affiliated entity

¹² **Subsequent Events Regarding Motions:** After the time period covered by this Accounting, on January 27, 2025 the Court entered a Minute Order (DI 975) in which the objectors were given a deadline of February 28, 2025 to file a single brief, not to exceed 10,000 words, that provided additional argument solely on those objections contained on DI 940 that are marked "Additional Pre-Hearing Statement or Briefing Requested." On February 28, 2025, certain objectors and joining parties filed a Supplemental Brief Regarding the Receiver's Proof of Claim Procedures (DI 985). On March 21, 2025, the Receiver filed a Reply to Supplemental Brief of certain retrocessionaires and joining parties (DI 989). On July 21, 2025, the Court heard oral argument on the Receiver's Motions to Approve and the objections by certain cedents and retrocessionaires. The Court took the motions under advisement, and they remain pending as of the date of this First Accounting.

that provided retrocession coverage to SRUS. The settlement effected a complete termination of SRUS and Orkney's business relationship, with SRUS recapturing all formerly retroceded risk. The settlement also disposed of the contents of a segregated account designed to secure SRUS's premium obligations to Orkney. As of this reporting period, the motion was pending.¹³

11. Stipulations with Cedents Regarding Reinsurance Trusts

The Receiver entered into stipulations with several cedents, approved by the Court, whose treaties created reinsurance trusts to secure SRUS's reinsurance obligations. *See* (Lincoln National Life Insurance Company, DI 837, Penn Mutual Life Insurance Company 861, and State Mutual Insurance Company, DI 936). Pursuant to 18 *Del. C.* § 5918(d), these stipulations authorized transfer of assets in the trust to the cedents and termination of the trusts.

The Receiver's stipulation with Nationwide Life Insurance Company and Nationwide Life and Annuity Insurance Company (collectively, "Nationwide") (DI 899) represents a compromise between the parties' competing approaches to valuing SRUS's reinsurance obligations to Nationwide. Accordingly, the stipulation required the Receiver to set aside an amount reflecting the difference between the competing valuations in a segregated account. The Receiver has done so; the amount deposited therein remains subject to dispute.

¹³ **Subsequent Events Regarding Motion to Approve Settlement.** On April 10, 2025, the Court entered an Order approving the settlement between SRUS and Orkney (DI 995). The financial impact to SRUS was addressed in the Motion to Approve the Settlement (DI 971).

III. FINANCIAL ACCOUNTING

The following is an accounting of the financial condition of SRUS for the period from July 18, 2023 through December 31, 2024:

COMPOSITION OF ASSETS

As of December 31, 2024

Invested Assets per Statutory Balance Sheet	\$1,268,534,928
Cash-based Accounting Adjustments (Note 1)	17,482,663
Restricted Funds Withheld for Orkney II (Note 2)	404,206,718
<u>Market Value of SRUS Invested Assets</u>	<u>\$ 846,845,548</u>

MARKET VALUE OF INVESTED ASSETS

Restricted Assets (Market Value) (Note 3)

Cash and Short-Term Investments	\$77,819,877
Corporate Bonds at Market Value	78,431,587
Structured Securities at Market Value	25,195,676
Exchange-Traded Funds	21,742,984
Other Investments	2,372,703

<u>Total Restricted Assets</u>	<u>\$205,562,827</u>
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Unrestricted Assets

Cash and Short-Term Investments	286,277,637
Corporate Bonds at Market Value	186,038,950
Structured Securities at Market Value	135,956,204
Exchange-Traded Funds	28,498,400
Other Investments	4,511,529

<u>Total Unrestricted Assets</u>	<u>\$641,282,720</u>
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<u>Total Restricted and Unrestricted Assets</u>	<u>\$846,845,548</u>
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CASH AND SHORT-TERM INVESTMENTS

Cash and Short-Term Investments as of 07/18/23	\$ 145,589,471
Add: Receipts for the period	310,419,355
Less: Disbursements for the period	91,911,312
Change in Cash and Short-Term Investments	<u>218,508,043</u>
<u>Cash and Short Term Investments as of 12/31/24</u>	<u>\$364,097,514</u>

SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS

Receipts

Cash Proceeds from Investment Activity	\$225,877,815
Investment Income Received	58,313,394
Traditional Solutions Net Settlements (Note 4)	22,808,394
Proceeds from Negotiated Settlements (Note 5)	3,419,751
<u>Total Receipts</u>	<u>\$310,419,355</u>

Disbursements

Withdrawals from Trust Accounts (Note 6)	74,346,234
Operating Disbursements	
Personnel and Operating Expenses (Note 7)	7,507,832
Vendor and Professional Services (Note 8)	2,383,222
Legal Fees and Expenses (Note 9)	2,627,173
Consultants (Note 10)	2,221,348
Investment Related Expenses (Note 11)	2,381,523
Software/IT Expenses	354,085
Taxes/Fees	89,893
	<u>\$17,565,079</u>
<u>Total Non-Trust Disbursements</u>	<u>\$91,911,312</u>

INCOME / EXPENSE COMPARISON

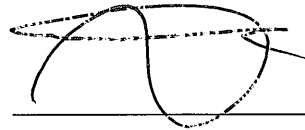
Total Investment Income (Note 12)	58,313,394
Operating Disbursements	<u>17,565,078</u>
<u>Excess</u>	<u>\$40,748,316</u>

NOTES

1. This is primarily the difference between Statutory Book Value and Market Value.
2. Assets held for Orkney II on a funds withheld basis for reserve credit purposes and are not generally considered part of the SRUS Investment Portfolio.
3. Assets held in trusts/treaties restricting them from being considered general assets of the Estate.
4. Represents the cash proceeds from the net settlement of assumed and retrocession business for coverage in place prior to 10/1/23.
5. Represents the cash proceeds (\$3.4M) from the negotiated settlement with former affiliate, Scottish Re, Dublin (SRD).
6. Represents the cash portion of withdrawals from various Financial Solutions trusts as permitted by stipulations granted by the Delaware Court of Chancery.
7. Expenses for salary and benefits of retained SRUS employees, rent on prior and current location, records storage, telephone and other administrative costs.
8. Includes fees for TPA Services, tax consultant, ledger software maintenance Peoplesoft consultant and third party claims determination.
9. Includes fees and expenses for legal tasks performed in the representation of the Receiver and Deputy Receiver in the Delinquency Proceedings and in third party litigation.
10. Includes fees for Receivership Management Expenses, outside actuarial consulting, outside accounting services, and consulting relating to transfer of the claims system, evaluation of claims and information technology services.
11. Includes fees for investment management, investment accounting, ratings, and analytics/cash flow software.
12. Of the total investment income of \$58,313,395, Restricted Assets comprised \$17,393,362.


VERIFICATION

I, Michael Johnson, being duly sworn according to law, depose and say that the attached First Accounting of the Receiver, the Honorable Trinidad Navarro, for the Period from July 18, 2023 through December 31, 2024, for Scottish Re (U.S.), Inc., in Liquidation, is true and correct to the best of my knowledge and belief.



Michael J. Johnson
Deputy Receiver

SWORN AND SUBSCRIBED before me this 15 day of September, 2025



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
