

STATE OF VERMONT

SUPERIOR COURT  
WASHINGTON UNIT

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COMMISSIONER OF THE )  
DEPARTMENT OF FINANCIAL )  
REGULATION )  
PLAINTIFF, )  
v. )  
HOSPITALITY RISK RETENTION )  
GROUP, INC. )  
RESPONDENT. )

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CIVIL DIVISION  
DOCKET NO. - - Wncv

**ASSENTED-TO PETITION FOR ORDER OF LIQUIDATION FOR  
HOSPITALITY RISK RETENTION GROUP, INC.**

Now comes the State of Vermont Department of Financial Regulation (the “Department”), by its Commissioner Michael S. Pieciak (the “Commissioner”), pursuant to 8 V.S.A. § 7056 and petitions the Court for an Order of Liquidation for Hospitality Risk Retention Group, Inc. (“Hospitality” or the “Company”) in the form filed herewith and approval of the Plan of Liquidation attached hereto as Exhibit A. As grounds therefor, the Commissioner states as follows:

1. Jurisdiction and Authority. This Court has exclusive jurisdiction of this action pursuant to 8 V.S.A. § 7032(e).

2. Petitioner is the Commissioner of the Vermont Department of Financial Regulation. Pursuant to 8 V.S.A. § 7032(a) the Commissioner has sole authority to commence a delinquency proceeding under Chapter 145 of the Vermont Statutes.

3. Respondent Hospitality was organized on October 24, 2016 and licensed by the Department on October 25, 2016 to transact the business of a risk retention group. The Company is therefore a “domestic insurer” within the meaning of 8 V.S.A. § 7055(a) and 7056. See also 8 V.S.A. § 6018 and 7031(13)(H). Affidavit of J. David Leslie filed herewith at ¶ 2, (hereinafter, “Leslie Aff., ¶ \_\_\_”).

4. Background. Hospitality was originally organized to provide commercial automobile liability insurance to franchisees of Domino’s Pizza, Inc. (“Domino’s”). Ultimately, it was determined that liability coverage afforded by a risk retention group did not satisfy the requirements established by Domino’s. The Company accordingly ceased writing business and by March 31, 2019 had no in-force business. It has been in runoff since that time. The Company presently has approximately thirty-five open claims, several of which involve significant loss exposure. Hospitality affords coverage of as much as \$5 million for each of those claims; it presently has no reinsurance for covered losses. Those claims present significant risk of exceeding, in the aggregate, Hospitality’s carried reserves for unpaid loss and loss adjustment expenses and exhausting the \$1.2 million of surplus reported as of December 31, 2020 (please see the unaudited Hospitality balance sheet as of December 31, 2020 attached to the Leslie Affidavit). Leslie Aff., ¶ 3.

5. As of December 31, 2020, Hospitality was registered in three states and licensed in Vermont. Leslie Aff., ¶ 4.

6. The Company agreed with the Department on February 5, 2021 to refrain from any further payment of claims or transfer of assets and to limit its expenses to payroll and other necessary operating expenses. As a result, the Commissioner has not filed a Petition for Seizure Order pursuant to 8 V.S.A. § 7042(b). Leslie Aff., ¶ 5.

7. Hospitality qualifies as insolvent. Hospitality’s consulting actuaries, Milliman, have reviewed its unpaid loss and loss adjustment expense reserves as of December 31, 2020. Milliman has provided a range of reasonable estimated loss and loss adjustment reserves. The “low” estimate is \$2,635,821 and the “high” \$3,449,517. The “central” estimate is a point within a range of reasonable estimates that represents an expected value over the range of reasonable possible outcomes. The Company has booked Milliman’s “central” estimate of \$2,949,865. The unaudited balance sheet for the Company as of December 31, 2020, which has been prepared on a going concern basis, reports total surplus of \$1,174,222. However, these estimates do not include an estimate for all future general administration costs to run off Hospitality. Also, the degree of comfort afforded by an actuary’s reserve analysis, no matter how competent the actuary, is low when confronted by the severity exposure presented by certain of Hospitality’s high limit claims. (If the Company were to book Milliman’s “high” estimate, surplus would be reduced to \$674,570.) The statutory minimum surplus for a Vermont risk retention group is \$1.0 million. See, 8 V.S.A. §§ 6001(4) and 6004(a)(5). Leslie Aff., ¶ 6.

8. Following review of the Company’s most recent financial statements, the recent estimates from its consulting actuary concerning unpaid claim liabilities as of December 31, 2020, discussions with management and others regarding claim severity exposure, and consideration of other materials, the Commissioner concluded that there was a sufficiently high degree of uncertainty with respect to final settlement of certain claims such that the Company may not be able to continue with a solvent run-off. As such, the Commissioner determined that that Hospitality qualifies as insolvent within the meaning of 8 V.S.A. § 7031(12)(B) (a company’s assets must exceed its liabilities plus the capital and surplus required by statute). Leslie Aff., ¶ 7.

9. Assent to Liquidation. The Board of Directors of Hospitality have assented to entry of the proposed order of liquidation as evidenced by the stipulation filed herewith. Leslie Aff., ¶ 8.

10. Liquidation is Necessary. The Commissioner may seek an order of liquidation when “one or more of the grounds for rehabilitation under section 7051... exist” or if “the insurer is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or the public.” 8 V.S.A. § 7056. The Commissioner has concluded that both grounds for liquidation exist – there are grounds for rehabilitation under section 7051 (Hospitality is insolvent and that its board of directors consent) and the Company’s further transaction of business would be financially hazardous to its policyholders, creditors, or the public. See 8 V.S.A. §§ 7051(1), (12) and (13) and 7055. Leslie Aff., ¶ 9.

11. Proposed Plan of Liquidation. In accordance with the applicable statutes, the Commissioner proposes that, in the liquidation of the insolvent Hospitality, each member will be responsible for defending his or her claims and paying all claims and defense costs. Actions against Hospitality will be barred (8 V.S.A. § 7063) and policyholders/creditors (including third-party claimants) will instead be required to submit their claims to the liquidator together with proof sufficient to allow a determination. See 8 V.S.A. §§ 7074 (filing of claims), 7075 (proofs of claim), and 7078 (claim determinations). The liquidator will set a claim filing deadline no less than 120 days from the entry of a liquidation order. See 8 V.S.A. §§ 7061(b) and 7074(a). As proofs of claim are received, the liquidator will review them and make determinations as to

priority.<sup>1</sup> See 8 V.S.A. §§ 7074 (filing of claims with liquidator and establishment of deadline); 7075 (proof of claim); and 7081 (defining priority classes). The liquidator will pay administrative expenses (priority class 1 claims) in the ordinary course of business and will determine policyholder-level claims (priority class 3) as to priority and amount. See 8 V.S.A. § 7081. (There will be no priority class 2 claims because, pursuant to 8 V.S.A § 6054(a) and 15 U.S.C.A. § 3902(a), Hospitality’s claims are not eligible for guaranty fund protection.) Estate assets are unlikely to permit full payment of class 3 claims so, if the liquidator concludes that a claim falls in priority classes 4 through 10, the liquidator will typically issue a determination as to priority classification only. See *id.* (“Every claim in each class shall be paid in full... before the members of the next class receive any payment...”). All claimants will have the statutory rights to request reconsideration and to file objections with the Court. See 8 V.S.A. § 7078; Leslie Aff., ¶ 10.

12. In a standard liquidation proceeding, all creditors with allowed claims would be paid at the close of the proceeding. See 8 V.S.A. § 7083. The liquidator will closely monitor Hospitality’s financial position and report to the Court whether an interim distribution scheme may be established for the benefit of priority class 3 creditors with claims that have been finally determined. Leslie Aff., ¶ 11.

13. Because Hospitality’s insolvency does not trigger guaranty fund obligations, there is no need to submit a proposal for the distribution of assets to guaranty associations pursuant to 8 V.S.A. § 7073.

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<sup>1</sup> A proposed Proof of Claim form and Notice of Liquidation are attached to the Plan of Liquidation. See Ex. A.

14. Proposed Order of Liquidation. As discussed above, the Commissioner believes grounds exist for entry of an order of liquidation. The Commissioner therefore requests entry of such an order without a hearing and files herewith a proposed form of order appointing him as liquidator, vesting him with the authority provided for by statute, and directing implementation of the Plan of Liquidation.

WHEREFORE, the Commissioner requests that this Court enter an order, without hearing, in the form filed herewith:

- A. Finding, pursuant to 8 V.S.A. §§ 7051 and 7056, that Hospitality qualifies as insolvent;
- B. Finding, pursuant to 8 V.S.A. § 7056, that Hospitality is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or the public;
- C. Appointing the Commissioner of the Department of Financial Regulation and his successors in office as liquidator of Hospitality pursuant to 8 V.S.A. § 7057;
- D. Approving the Plan of Liquidation;
- E. To the extent of the comity afforded by the courts before which such matters are pending, staying all litigation against members respecting covered claims for sixty days, in order to afford members an opportunity to assume and arrange for their defense; and,
- F. Vesting the liquidator with the powers and authority contemplated by 8 V.S.A. ch. 145.

Dated in Montpelier, Vermont, this 1<sup>st</sup> day of March 2021.

COMMISSIONER OF THE VERMONT  
DEPARTMENT OF FINANCIAL REGULATION

By: /s/ Jennifer Rood

Jennifer Rood

Assistant General Counsel and Special

Assistant Attorney General

Vermont Department of Financial Regulation

(Jennifer.Rood@vermont.gov)

89 Main Street, Third Floor

Montpelier, Vermont 05620-3101

(802) 828-5672

## EXHIBIT A – PLAN OF LIQUIDATION

### **Plan of Liquidation for Hospitality Risk Retention Group, Inc.**

This Plan of Liquidation (the “Plan”) will govern the liquidation of Hospitality Risk Retention Group, Inc. (“Hospitality or the “Company”). The Superior Court, Washington County (the “Court”) entered the Order of Liquidation for Hospitality and approved this Plan on \_\_\_\_\_, 2021 in Commissioner of the Department of Financial Regulation v. Hospitality Risk Retention Group, Inc., Docket No. xxx-xx-xxx Wncv.

1. **Impact of Liquidation on Members.** The Order of Liquidation significantly affects the members insured by Hospitality. Most policyholders of insolvent insurance companies are eligible for guaranty fund coverage, e.g. 8 V.S.A. § 3611-3626, but since Hospitality is a risk retention group, it cannot participate in the guaranty fund system. 8 V.S.A. §6054(a); 15 US Code § 3902(a). In the liquidation, each member will be responsible for claims management and paying all defense costs. Hospitality members and other claimants will be required to file claims in the liquidation and await a distribution of Hospitality’s assets. 8 V.S.A. §§ 7074 and 7075.

2. **Plan of Liquidation.** The Liquidator shall conduct the liquidation proceedings as follows:

- a. The Liquidator shall pay the costs and expenses of administering the Hospitality proceeding in the normal course. See 8 V.S.A. § 7081(1).
- b. The Liquidator will furnish notice of the Liquidation Order as provided in 8 V.S.A. § 7061. The notice will include a copy of the Proof of Claim (in the form attached hereto) and will specify a claim filing deadline not less than 120 days from the date of the Liquidation Order.
- c. The Liquidator will receive completed proofs of claim, conduct such investigation as he deems necessary, and make a determination as to priority classification pursuant to 8 V.S.A. § 7081. If the claim falls within priority classes 4 through 10, the Liquidator may decline to make a determination as to the amount of such claim and instead issue a determination solely as to priority.

- d. If the claim falls within priority class 3 the Liquidator shall conduct such further investigation as he deems necessary and determine the claim pursuant to 8 V.S.A. § 7078. Claimants dissatisfied with the Liquidator’s determination shall file objections with the Liquidator. The Liquidator shall then issue a redetermination. If the Liquidator does not alter his initial determination, the claimant may request judicial review by submitting a further objection. The Liquidator shall then request a hearing and issue notice pursuant to 8 V.S.A. § 7078(b).
  - e. The Liquidator shall monitor Hospitality’s financial condition and, as circumstances warrant, petition the Court to establish a distribution percentage for making interim payments on finally determined claims in priority class 3.
  - f. Payment to creditors with claims in lower priority classes will be deferred. 8 V.S.A. § 7081 (“Every claim in each class shall be paid in full ... before the members of the next class receive any payment.”) If it appears that Hospitality may have sufficient assets to pay such creditors, the Liquidator will determine claims in the relevant priority classes as to amount and petition the Court to authorize a distribution.
3. Vermont law. In all other respects, the Liquidation of Hospitality will comply with the Order of Liquidation and 8 V.S.A. ch. 145. The Court retains jurisdiction of all matters arising under this Plan.

**PROOF OF CLAIM**

**HOSPITALITY RETENTION GROUP, INC. (“HOSPITALITY”)**

The deadline for filing a Proof of Claim is [at least 120 days from the date of the Liquidation Order]

IF YOU DO NOT FILE A PROOF OF CLAIM BY THE DEADLINE, YOU  
MAY NOT RECEIVE ANY PAYMENTS FROM HOSPITALITY.

*ADDITIONAL INSTRUCTIONS ARE ON THE REVERSE SIDE OF THIS FORM. PLEASE PRINT OR TYPE.*

1. **Description of Claim(s).** Provide a detailed description of the basis for your claim(s) against Hospitality. Include reference to any claim or docket numbers, amounts spent in defending claims, and amounts paid. To preserve your right to submit claims asserted after you sign this proof of claim and before the claim filing deadline, state “all rights under policies”:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If your claim arises from an insurance policy, provide the following information for each claim:

Hospitality Policyholder name: \_\_\_\_\_  
Hospitality Policy number(s): \_\_\_\_\_  
Hospitality Claim number(s): \_\_\_\_\_  
Date of loss: \_\_\_\_\_

(If you have multiple claims, policyholders, and/or policies to be included in this Proof of Claim, you may attached additional pages as required.)

2. **Amount of the claim.** If the amount of the claim will increase, state the known amount and then add that the amount is “subject to increase.” If you do not know the amount, state “unknown”: \$\_\_\_\_\_.
3. **Type of security.** If your claim is secured, state the type and amount of such security. If none, state “none”:  
\_\_\_\_\_.
4. **Offsets/Reductions.** Payments made by Hospitality that reduce the claim. If none, state “none”: \$\_\_\_\_\_.
5. **Priority.** Right of priority to payment or other specific right asserted by the claimant. \_\_\_\_\_.
6. Attach copies of any documents that provide support for the claim. If your claim is currently being administered through Hospitality, no additional documentation is required at the time you submit this proof of claim.

**Under penalties of law, I state that the facts set forth in this Proof of Claim are true to the best of my knowledge, that the sum claimed is justly owed, and that there is no known setoff, counterclaim or defense to the claim.**

Your Name and Address:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name and Address of your Attorney:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

**MAIL THIS FORM TO:**  
[Special Deputy Liquidator address]

The Special Deputy Liquidator of Hospitality Risk Retention Group, Inc. acknowledges receipt of this Proof of Claim.  
  
Date Received: \_\_\_\_\_  
  
Proof of Claim No.: \_\_\_\_\_

## NOTICE OF LIQUIDATION

By Order of the Superior Court for Washington County, Vermont, dated \_\_\_\_\_, 2021 (the “Liquidation Order”), the Commissioner of the Department of Financial Regulation for the State of Vermont, was appointed Liquidator of Hospitality Risk Retention Group, Inc. (“Hospitality”). This notice will serve as notice of the Liquidation Order as required by 8 V.S.A. § 7061.

**IF YOU BELIEVE THAT YOU ARE PRESENTLY OWED MONIES BY HOSPITALITY, OR MAY BE OWED MONIES AT ANY TIME IN THE FUTURE, YOU MUST FILE A PROOF OF CLAIM ON OR BEFORE [\_\_\_\_\_] OR YOUR CLAIM AGAINST HOSPITALITY MAY BE BARRED.**

### INSTRUCTIONS FOR COMPLETION OF PROOF OF CLAIM FORM

If you believe that you have a claim now, or may have a claim in the future, against Hospitality for any reason, you must file a Proof of Claim form in order to preserve your claim. If a claim has been filed against you, include details of the claim. Such details should include a brief narrative description of the claim, any claim or docket numbers, and identification of any costs incurred or payments you have made to date. If you wish to preserve your rights as to any claim that might be filed in the future, describe the claim as “unreported claim.”

- You must print your name and address in the space provided and sign and date the Proof of Claim form. If you have an attorney, include his or her contact information.
- Your signed original Proof of Claim must be postmarked on or before [\_\_\_\_\_] and mailed to the following address:
  - [Special Deputy Liquidator]
  - [Address]
  - [Address]
  - [Address]
- Priority rights are governed by statute (8 V.S.A. § 7081). If you do not assert a right of priority or do not know the priority class that applies to your claim(s), write “none”.
- You may be requested to submit supporting documentation to facilitate the Liquidator’s determination of your claim(s).
- If you need more information or have any questions, you may mail your inquiry to the above address, visit the liquidation website (\_\_\_\_\_), or contact [Special Deputy Liquidator contact].
- If you file a Proof of Claim and your address changes, you are required to notify the Liquidator of such change.

After you file your Proof of Claim, the Liquidator will acknowledge receipt. If you do not receive an acknowledgement within three weeks, please call [contact].

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HOSPITALITY RISK RETENTION )  
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\_\_\_\_\_ )

CIVIL DIVISION  
DOCKET NO. - - Wncv

**AFFIDAVIT OF J. DAVID LESLIE**

I, J. David Leslie, being sworn, hereby state as follows:

1. The Commissioner of the Department of Financial Regulation (the "Commissioner") has been monitoring the affairs and financial condition of Hospitality Risk Retention Group, Inc. (the Company or Hospitality) and in that regard engaged me to assist in his conservation efforts. I submit this Affidavit in support of the Commissioner's Petition for Order of Liquidation for Hospitality Risk Retention Group, Inc. (the "Petition"). The facts and information set forth in this affidavit are either within my own knowledge and gained through my involvement in this matter, in which case I confirm they are true, or are based on information provided to me by others, in which case they are true to the best of my knowledge, information, and belief.

2. Respondent Hospitality was organized on October 24, 2016 and licensed by the Department on October 25, 2016 to transact the business of a risk retention group. The Company

is therefore a “domestic insurer” within the meaning of 8 V.S.A. § 7055(a) and 7056. See also 8 V.S.A. § 6018 and 7031(13)(H).

3. Background. Hospitality was originally organized to provide commercial automobile liability insurance to franchisees of Domino’s Pizza, Inc. (“Domino’s”). Ultimately, it was determined that liability coverage afforded by a risk retention group did not satisfy the requirements established by Domino’s. The Company accordingly ceased writing business and by March 31, 2019 had no in-force business. It has been in runoff since that time. The Company presently has approximately thirty-five open claims, several of which involve significant loss exposure. Hospitality affords coverage of as much as \$5 million for each of those claims; it presently has no reinsurance for covered losses. Those claims present significant risk of exceeding, in the aggregate, Hospitality’s carried reserves for unpaid loss and loss adjustment expenses and exhausting the \$1.2 million of surplus reported as of December 31, 2020. (Attached is Hospitality’s unaudited balance sheet as of December 31, 2020.)

4. As of December 31, 2020, Hospitality was registered in three states and licensed in Vermont.

5. The Company agreed with the Department on February 5, 2021 to refrain from any further payment of claims or transfer of assets and to limit its expenses to payroll and other necessary operating expenses. As a result, the Commissioner has not filed a Petition for Seizure Order pursuant to 8 V.S.A. § 7042(b).

6. Hospitality qualifies as insolvent. Hospitality’s consulting actuaries, Milliman, have reviewed its unpaid loss and loss adjustment expense reserves as of December 31, 2020. Milliman has provided a range of reasonable estimated loss and loss adjustment reserves. The “low” estimate is \$2,635,821 and the “high” \$3,449,517. The “central” estimate is a point within a range of reasonable estimates that represents an expected value over the range of reasonable

possible outcomes. The Company has booked Milliman's "central" estimate of \$2,949,865. The unaudited balance sheet for the Company as of December 31, 2020, which has been prepared on a going concern basis, reports total surplus of \$1,174,222. However, these estimates do not include an estimate for all future general administration costs to run off Hospitality. Also, the degree of comfort afforded by an actuary's reserve analysis, no matter how competent the actuary, is low when confronted by the severity exposure presented by certain of Hospitality's high limit claims. (If the Company were to book Milliman's "high" estimate, surplus would be reduced to \$674,570.) The statutory minimum surplus for a Vermont risk retention group is \$1.0 million. See, 8 V.S.A. §§ 6001(4) and 6004(a)(5).

7. Following review of the Company's most recent financial statements, the recent estimates from its consulting actuary concerning unpaid claim liabilities as of December 31, 2020, discussions with management and others regarding claim severity exposure, and consideration of other materials, the Commissioner concluded that there was a sufficiently high degree of uncertainty with respect to final settlement of certain claims such that the Company may not be able to continue with a solvent run-off. As such, the Commissioner determined that Hospitality qualifies as insolvent within the meaning of 8 V.S.A. § 7031(12)(B) (a company's assets must exceed its liabilities plus the capital and surplus required by statute).

8. Assent to Liquidation. The Board of Directors of Hospitality have assented to entry of the proposed order of liquidation as evidenced by the stipulation filed herewith.

9. Liquidation is Necessary. The Commissioner may seek an order of liquidation when "one or more of the grounds for rehabilitation under section 7051... exist" or if "the insurer is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or the public." 8 V.S.A. § 7056. The Commissioner has concluded that both grounds for liquidation exist – there are grounds for rehabilitation under

section 7051 (Hospitality is insolvent and that its board of directors consent) and the Company's further transaction of business would be financially hazardous to its policyholders, creditors, or the public. See 8 V.S.A. §§ 7051(1), (12) and (13) and 7055.

10. Proposed Plan of Liquidation. In accordance with the applicable statutes, the Commissioner proposes that, in the liquidation of the insolvent Hospitality, each member will be responsible for defending his or her claims and paying all claims and defense costs. Actions against Hospitality will be barred (8 V.S.A. § 7063) and policyholders/creditors (including third-party claimants) will instead be required to submit their claims to the liquidator together with proof sufficient to allow a determination. See 8 V.S.A. §§ 7074 (filing of claims), 7075 (proofs of claim), and 7078 (claim determinations). The liquidator will set a claim filing deadline no less than 120 days from the entry of a liquidation order. See 8 V.S.A. §§ 7061(b) and 7074(a). As proofs of claim are received, the liquidator will review them and make determinations as to priority.<sup>1</sup> See 8 V.S.A. §§ 7074 (filing of claims with liquidator and establishment of deadline); 7075 (proof of claim); and 7081 (defining priority classes). The liquidator will pay administrative expenses (priority class 1 claims) in the ordinary course of business and will determine policyholder-level claims (priority class 3) as to priority and amount. See 8 V.S.A. § 7081. (There will be no priority class 2 claims because, pursuant to 8 V.S.A § 6054(a) and 15 U.S.C.A. § 3902(a), Hospitality's claims are not eligible for guaranty fund protection.) Estate assets are unlikely to permit full payment of class 3 claims so, if the liquidator concludes that a claim falls in priority classes 4 through 10, the liquidator will typically issue a determination as to priority classification only. See *id.* ("Every claim in each class shall be paid in full... before the members of the next class receive any payment..."). All claimants will have the statutory rights to request reconsideration and to file objections with the Court. See 8 V.S.A. § 7078.

11. In a standard liquidation proceeding, all creditors with allowed claims would be paid at the close of the proceeding. See 8 V.S.A. § 7083. The liquidator will closely monitor Hospitality's financial position and report to the Court whether an interim distribution scheme may be established for the benefit of priority class 3 creditors with claims that have been finally determined.

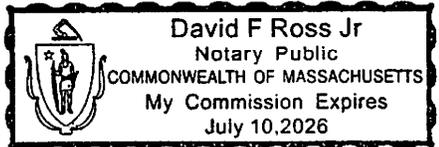
  
\_\_\_\_\_  
J. David Leslie

Dated this 26<sup>th</sup> day of February, 2021.

Subscribed and sworn before me this 26 day of February, 2021.

  
\_\_\_\_\_

Notary Public  
My commission expires:



<sup>1</sup> A proposed Proof of Claim form and Notice of Liquidation are attached to the Plan of Liquidation. See Ex. A.

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**[PROPOSED] ORDER OF LIQUIDATION**

This matter came before the Court on the Assented-To Petition for Order of Liquidation for Hospitality Risk Retention Group, Inc., (“Petition”) of the Commissioner of the Vermont Department of Financial Regulation (“Commissioner”), for an order of liquidation for Hospitality Risk Retention Group, Inc. (“Hospitality”) pursuant to 8 V.S.A. § 7056. In support of the Petition, the Commissioner filed an Affidavit of J. David Leslie. Based on the evidence presented, the Court finds that Hospitality qualifies as insolvent, that its board of directors has assented to liquidation under 8 V.S.A. ch. 145, and that it is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or the public.

**THEREFORE**, it is hereby ORDERED:

1. Appointment of Commissioner as Liquidator. Pursuant to 8 V.S.A. § 7057(a), the Commissioner, and any successor in the office of Commissioner, is hereby appointed the Liquidator of Hospitality (the “Liquidator”).

2. Liquidator to Take Possession of Assets. Pursuant to 8 V.S.A. § 7057(a), the Liquidator is directed forthwith to take possession of the assets of Hospitality wherever located, and to administer these assets under the general supervision of this Court and pursuant to the terms of this Order and 8 V.S.A. ch. 145.

3. Title to Property and Assets. Pursuant to 8 V.S.A. § 7057(a), the Liquidator is vested by operation of law with the title to all of the property, contracts and rights of action, and to all of the books and records of Hospitality, wherever located, as of the date of entry of this Order.

4. Accountings. Pursuant to 8 V.S.A. § 7057(e), within one year of this Order and at least annually thereafter the Liquidator shall file an accounting with the Court. The accountings shall include (at a minimum) the assets and liabilities of Hospitality and all funds received or disbursed by the Liquidator during the current period.

5. Powers of the Liquidator. Pursuant to 8 V.S.A. § 7060:

a. The Liquidator shall have the power to:

i. Appoint a special deputy to act for the Liquidator and to determine reasonable compensation for the special deputy. The special deputy shall have all the powers of the Liquidator granted by this section. The special deputy shall serve at the pleasure of the Liquidator;

- ii. Employ employees and agents, legal counsel, actuaries, accountants, appraisers, consultants, and such other personnel as may be deemed necessary by the Liquidator to assist in the liquidation;
- iii. Fix the reasonable compensation of employees and agents, legal counsel, actuaries, accountants, appraisers and consultants with the approval of the Court;
- iv. Pay reasonable compensation to persons appointed and to defray from the funds or assets of Hospitality all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and property of Hospitality. In the event that the property of Hospitality does not contain sufficient cash or liquid assets to defray the costs incurred, the Commissioner may advance the costs so incurred out of any appropriation for the maintenance of the department. Any amounts so advanced for expenses of administration shall be repaid to the Commissioner for the use of the department out of the first available moneys of Hospitality;
- v. Hold hearings, subpoena witnesses to compel their attendance, administer oaths, examine any person under oath, and compel any person to subscribe to testimony after it has been correctly reduced to writing; and in connection with such proceedings, require the production of any books, papers, records or other documents which the Liquidator deems relevant to the inquiry;
- vi. Audit the books and records of all agents of Hospitality insofar as those records relate to the business activities of Hospitality;
- vii. Collect all debts and moneys due and claims, belonging to Hospitality, wherever located, and for this purpose:

- a. institute timely action in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts;
  - b. do such other acts as are necessary or expedient to collect, conserve or protect its assets or property, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as the Liquidator deems best; and
  - c. pursue any creditor's remedies available to enforce the Liquidator's claims;
- viii. Conduct public and private sales of the property of Hospitality;
- ix. Use assets of the estate of Hospitality to transfer policy obligations to a solvent assuming insurer, if the transfer can be arranged without prejudice to applicable priorities,
- x. Acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with, any property of Hospitality at its market value or upon such terms and conditions as are fair and reasonable. The Liquidator shall also have power to execute, acknowledge, and deliver any and all deeds, assignments, releases and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the liquidation;
- xi. Borrow money on the security of Hospitality 's assets or without security and execute and deliver all documents necessary to that transaction for the purpose of facilitating the liquidation. Any such funds borrowed may be repaid as an administrative expense and have priority over any other claims in Class 1 under the priority of distribution;

- xii. Enter into such contracts as are necessary to carry out this Order, and affirm or disavow any contracts to which the insurer is a party;
- xiii. Continue to prosecute and institute in the name of Hospitality or in the Liquidator's own name any and all suits and other legal proceedings, in this state or elsewhere, and abandon the prosecution of claims the Liquidator deems unprofitable to pursue further. If Hospitality is dissolved, the Liquidator shall have the power to apply to any court in this state or elsewhere for leave to substitute the Liquidator for Hospitality as plaintiff;
- xiv. Prosecute any action which may exist in behalf of the creditors, members, policyholders or shareholders of Hospitality against any officer of Hospitality, or any other person;
- xv. Remove any or all records and property of Hospitality to the offices of the Liquidator or to such other place as may be convenient for the purposes of efficient and orderly execution of the liquidation;
- xvi. Deposit in one or more banks in this state such sums as are required for meeting current administration expenses;
- xvii. Invest all sums not currently needed, unless the Court orders otherwise;
- xviii. File any necessary documents for record in the office of any recorder of deeds or record office in this state or elsewhere where property of the insurer is located;
- xix. Assert all defenses available to Hospitality as against third persons, including statutes of limitation, statutes of frauds, and the defense of usury. A waiver of any defense by Hospitality after a petition in liquidation has been filed shall not bind the Liquidator;

xx. Exercise and enforce all the rights, remedies, and powers of any creditor, shareholder, policyholder, or member, including any power to avoid any transfer or lien that may be given by the general law;

xxi. Intervene in any proceeding wherever instituted that might lead to the appointment of a receiver or trustee, and act as the receiver or trustee whenever the appointment is offered;

xxii. Enter into agreements with any receiver or commissioner of any other state relating to the liquidation or dissolution of Hospitality if Hospitality was doing business in both states; and,

xxiii. Exercise all powers now held or hereafter conferred upon receivers by the laws of this state not inconsistent with the provisions of 8 V.S.A. ch. 145.

b. The enumeration of the powers and authority of the Liquidator shall not be construed as a limitation upon the Liquidator, nor shall it exclude in any manner the Liquidator's right to do such other acts not herein specifically enumerated or otherwise provided for, as may be necessary or appropriate for the accomplishment of or in aid of the purpose of Hospitality's liquidation.

6. Notice to Creditors and Others. Pursuant to 8 V.S.A. § 7061:

a. The Liquidator shall give or cause to be given notice of the issuance of this Order as soon as possible:

i. By sending the form of notice ("Notice") and proof of claim form ("POC Form") included in Exhibit A to the Petition by first class mail and e-mail to the insurance commissioner of each jurisdiction in which Hospitality is doing business;

ii. By sending the Notice and POC Form by first class mail to all persons known or reasonably expected to have claims against Hospitality, including to all policyholders at their last known address as indicated by the records of Hospitality;

iii. By publication in a newspaper of general circulation in the county in which Hospitality has its principal place of business and in such other locations as the Liquidator deems appropriate; and,

iv. By posting the Notice, POC Form, and this Order on Hospitality's webpage: [www.xxxxxx.com].

b. The notice to potential claimants shall require claimants to file with the Liquidator their claims, together with proper proofs thereof pursuant to 8 V.S.A. § 7075 and this Order, before a date specified by the Liquidator in the notice, which must be no less than 120 days after the date of this Liquidation Order. All claimants shall have a duty to keep the Liquidator informed of any changes of address.

c. If notice is given in accordance with this section, the distribution of assets of Hospitality under 8 V.S.A. ch. 145 shall be conclusive with respect to all claimants, whether or not they received notice.

7. Approval of the Plan of Liquidation. The Liquidator is authorized to implement the Plan of Liquidation attached to the Petition as Exhibit A, which is hereby found to be in the best interests of the policyholders of Hospitality and the public.

8. Stay of Proceedings Involving Claims Defended by Hospitality. Pursuant to 8 V.S.A. § 7033(a)(6) and (a)(11), for a period of sixty (60) days from the date of the entry of this Order for Liquidation, to the extent of the jurisdiction of this Court and the comity given to its orders, all persons are hereby enjoined from the further prosecution of any action that

involves a claim being defended by Hospitality as of February 5, 2021. Such time is necessary for the orderly transition of the defense of claims.

9. Actions By and Against Liquidator.

a. Pursuant to 8 V.S.A. § 7063, upon issuance of this Order, no action at law or equity shall be brought against Hospitality or the Liquidator, whether in this state or elsewhere, nor shall any such existing actions be maintained or further presented after issuance of such Order. Whenever, in the Liquidator's judgment, protection of the estate of Hospitality necessitates intervention in an action against Hospitality that is pending outside this state, the Liquidator may intervene in the action. The Liquidator may defend any action in which the Liquidator intervenes under this section at the expense of the estate of Hospitality.

b. Hospitality, its officers, directors, trustees, agents, employees, and all other persons, are hereby enjoined and otherwise prevented from:

i. instituting or further prosecuting any actions or proceedings of any nature whatsoever, including matters in arbitration, against Hospitality, its assets or the Liquidator or any Special Deputy;

ii. interfering with the Liquidator or with a proceeding under 8 V.S.A. ch. 145;

iii. causing waste of Hospitality's assets;

iv. obtaining preferences, judgments, attachments, garnishments or liens against Hospitality or its assets;

v. levying execution against Hospitality or its assets;

vi. withholding from the Liquidator books, accounts, documents, or other records or information relating to the business of Hospitality, or failing to preserve such material;

vii. any other threatened or contemplated action that might lessen the value of Hospitality's assets or prejudice the rights of policyholders, creditors or shareholders, or the administration of the liquidation; or

viii. the setoff of any debt owing to Hospitality; provided, however, that nothing herein shall prohibit the setoff of mutual debts or mutual credits in accordance with 8 V.S.A. § 7069.

10. Attachment, Garnishment and Levy of Execution. Pursuant to 8 V.S.A. § 7098, during the pendency in this or any other state of a Hospitality liquidation, whether called by that name or not, no action or proceeding in the nature of an attachment, garnishment or levy of execution shall be commenced or maintained in this state against Hospitality or its assets.

11. Effectiveness of Provisions of this Order. Each of the provisions of this Order of Liquidation shall be effective unless it is found by this Court in a proceeding expressly addressing the issue to be prohibited by 8 V.S.A. ch. 145.

12. Retention of Jurisdiction. This Court shall retain jurisdiction for all purposes necessary to effectuate and enforce this Order.

13. Finality of Order. Notwithstanding the retention by this Court of jurisdiction under section 12 hereof, or any other provisions hereof, this is a Final Order.

14. Incorporation of Provisions of 8 V.S.A. ch. 145. To the extent that any applicable provisions of 8 V.S.A. ch. 145 are not explicitly incorporated in this Order of Liquidation, such

provisions shall be deemed to be incorporated herein.

Dated at Montpelier, Vermont, this \_\_\_\_ day of \_\_\_\_\_, 2021.

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Superior Court Judge

STATE OF VERMONT

SUPERIOR COURT  
WASHINGTON UNIT

_____ )		
COMMISSIONER OF THE )		
DEPARTMENT OF FINANCIAL )		
REGULATION )		
PLAINTIFF, )	CIVIL DIVISION	
)	DOCKET NO. - - Wncv	
v. )		
)		
HOSPITALITY RISK RETENTION )		
GROUP, INC. )		
RESPONDENT. )		
_____ )		

**STIPULATION OF HOSPITALITY RISK RETENTION GROUP, INC.  
FOR ENTRY OF ORDER OF LIQUIDATION**

NOW COMES Hospitality Risk Retention Group, Inc. (“Hospitality”), by its Board of Directors, and stipulates as follows:

1. Hospitality has been provided with a copy of the Petition for Order of Liquidation for Hospitality Risk Retention Group, Inc. (“Petition”) and the Proposed Order for Liquidation of Hospitality Risk Retention Group, Inc. (“Proposed Order”);
2. Hospitality waives any right to other form of service respecting the Petition and Proposed Order;
3. Hospitality waives any right to a hearing on the Petition;
4. The board of directors of Hospitality consents to liquidation under 8 V.S.A. Chapter 145;

5. Hospitality consents to entry of the Proposed Order.

Dated at ATLANTA, GA, this 25 day of February 2021.

Hospitality Risk Retention Group, Inc.

By: 

Title: SECRETARY