StradleyRonon

Experience

Pennsylvania Insurance Department Victorious in Commonwealth Court

Stradley's insurance practice secured the Commonwealth Court's approval for the sale of millions of dollars in financial assets owned by the estate of Reliance Insurance Company. The Pennsylvania Insurance Department, which is liquidating Reliance, decided to sell some financial interests belonging to the company. After identifying potential purchasers and inviting them to make purchase proposals, the department engaged in an auction process that yielded two final bidders. They each made final bids, with a real estate investment firm submitting the winning bid of $9.6 million.

In preparing its final bid, however, the winning firm had a paperwork problem that delayed completion of its bid. The department allowed the firm extra time to complete the paperwork – time that was not given to the second bidder. Anticipating that the second bidder would protest this as unfair when the department sought court approval of the sale, the department hired Stradley to file for approval and fight off any protest. Complicating matters further was the fact that the deal with the winning bidder had to close quickly, or else that firm could – and would – walk away.

Shortly after court approval was sought, the disappointed bidder did, in fact, intervene, and asked the court to block the sale. It proposed that the court conduct a final, court-supervised round of bidding, and also suddenly promised to pay $9.9 million for the assets ($300,000 more than the winning bidder's final bid). In response, Stradley quickly prepared and filed an opposition, and also asked the court to expedite consideration so the deal with the winning bidder could close in time, if approved.

The Commonwealth Court granted the department's request to expedite, rejected the disappointed bidder's request to block the sale, and approved the sale as proposed by the department. In reaching this decision, the Court agreed with all of the arguments put forward by Stradley. This decision represents an important precedent protecting the department's ability to conduct asset sales in insurance company liquidations without interference from disappointed bidders. As a result of the Court's approval, the transaction with the winning bidder promptly closed.

Related Services

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