

Court grants Pawtucket Mutual more time

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PROVIDENCE — Last week amid rumors that a sale of the insurers is close, the moratorium on litigation involving two Rhode Island insurers seized by state officials earlier this year was extended for another 45 days.

Rhode Island Superior Court Judge Michael Silverstein agreed to the extension in the case of Pawtucket Mutual Insurance Co. and its subsidiary Narragansett Bay Insurance Co. at the request of the company's rehabilitator on Nov. 3. He had previously approved stays totaling 180 days.

Marilyn Shannon McConaghy, director of the Department of Business Regulation, serving as rehabilitator for the companies since they got into financial trouble, said the moratorium was needed to provide additional time for officials to work out a solution.

McConaghy will attempt to report on one of three options within the next 45 days: a letter of intent from a qualified buyer of the companies; a plan of run-off, or, the last resort, a plan of liquidation. Under the deal, if any of these plans is reported, the stay could be extended again.

If the DBR is unable report a specific plan, the moratorium could be lifted on staggered basis beginning with the oldest cases.

McConaghy acknowledged that the delay in resolving the companies' fate puts loyal insurance agents in a tough position but stressed that it was necessary to do everything possible to avoid liquidation. She remains optimistic.

"I just have this feeling it will work out," she told *InsuranceTimes*. "This is a good little company."

Meanwhile, she said, the DBR will continue to take steps to protect the assets of the companies and to make them attractive to potential buyers. In addition to layoffs, real estate sales, rate maintenance and consolidations of systems, DBR has taken steps to convert Pawtucket Mutual to a stock company in order to make it more attractive to buyers.

McConaghy said negotiations have been ongoing with several potential buyers but declined to name the suitors.

InsuranceTimes has previously reported that Great Northwest Insurance Co., based in Idaho, is among those that have conducted due diligence with an eye to buying one or both of the companies.

Steve Doucette, CEO of GNIC, also declined comment on the possibility of a sale.

The company lost \$10.8 million last year, while premiums collected from customers have fallen in recent years. The company's problems stemmed not only from capital depletion, lowered investment income but also from weather-related losses.

Both companies are currently solvent and assets appear to be sufficient to pay policyholders, creditors and claimants, according to the DBR.

McConaghy has also filed two other petitions, one seeking permission to reduce the insurers' reinsurance and another pertaining to unclaimed funds in New Jersey. These matters are scheduled for a court hearing on Nov. 21. □