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November 08, 2023

### Arrowood Indemnity Company Declared Insolvent



Arrowood Indemnity, the runoff entity for Royal Indemnity and Royal Globe (Royal), was declared insolvent by the Delaware commissioner of insurance on November 6, 2023.

This action was taken through the filing of a complaint for entry of a liquidation and injunction order with a bar date. The commissioner has suggested a bar date of January 15, 2025, which will be the last date claims against Arrowood will be allowed. Thousands of policyholders seeking insurance recovery may be affected.

#### **Background**

Arrowood Indemnity was approved to runoff claims against Royal by the Delaware insurance commissioner in 2007. In response to policyholder criticisms of the establishment of Arrowood, the commissioner required the appointment of a claims monitor, who was required "to continually monitor indemnity reserve adequacy, litigation management, claim denials, and all other aspects of sound claims management." Order at 6.

For several years now, KCIC and others have raised questions about how Arrowood was spending its reserves. For example, tens of millions of dollars were being spent to fight claims instead of paying them.

#### **Next Steps**

The immediate next steps will involve the appointment of a receiver to oversee the insolvency/liquidation proceedings and establish a bar date for filing claims against Arrowood, including claims for coverage. Ultimately, the trustee will make the decision regarding which claims for insurance coverage will be paid.

#### **Considerations for Policyholders**

Policyholders need to gather proof to support their claims under the Royal policies for both defense and indemnity coverage. It is essential for policyholders to stay apprised of information concerning the bar date and the form that their claims must take. Some claims and commitments made by Arrowood to defend, for example, may be allowed if the receiver so agrees after a 180-day stay. All insurance recovery cases brought by or against Arrowood will be stayed according to the Delaware insurance commissioner in order to preserve the remaining assets. The Perkins Coie Insurance Recovery team will follow the situation closely and keep interested parties informed as news develops.

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