GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE AND SECURITIES REGULATION
810 First Street, N.E.
Washington, D.C. 20002

IN THE MATTER OF THE PROPOSED	)	
VOLUNTARY REHABILITATION	)	
AND DISSOLUTION OF	)	Case Number VD-99-01
POLICYHOLDERS	)	
BENEFIT CORPORATION	)	

Decision and Order

Jurisdiction

This matter came before the District of Columbia Department of Insurance and Securities Regulation (hereinafter "the Department") on July 26, 1999, pursuant to the D.C. Administrative Procedures Act, D.C. Code Section 1-1501 et seq. (1992 Repl.) (hereinafter "the APA") for the purpose of considering whether the Commissioner should petition the Superior Court of the District of Columbia for an order authorizing him to rehabilitate Policyholders Benefit Corporation (hereinafter "PBC"), at the request of the PBC Board of Directors, in accordance with the Plan of Voluntary Rehabilitation and Dissolution (hereinafter, the "Plan").

Procedural History

A public hearing in respect of the above-captioned matter was held before Leslie Johnson, Hearing Examiner, on July 26, 1999, at the Department, pursuant to the APA, and notice was duly given, for the purpose of considering whether the Commissioner should petition for the voluntary rehabilitation of PBC, in accordance with the Plan.

Participating at the hearing on behalf of PBC were William R. Thomas, Jr., President and Chairman of the Board of PBC; Timothy R. Hunter, a Director of PBC; Charles W. Havens III, partner, LeBoeuf, Lamb, Greene & MacRae, L.L.P.; and Michael J. Klyce, Jr., associate, LeBoeuf, Lamb, Greene & MacRae, L.L.P. Participating on behalf of the Department were Rhonda Davis, Attorney Advisor; Thomas Hampton, Assistant Deputy Commissioner; and Dana Sheppard, Attorney.

PBC's servicers and beneficiaries were mailed notice of the hearing, together with an explanation of PBC's proposed dissolution, on June 25, 1999. (See PBC Exhibit 6). Notice of the Public Hearing was published in The Wall Street Journal on June 29, 1999 (See PBC Exhibits 7 and 8), and in the D.C. Register on July 2, 1999 (See Department Exhibit 9).

No beneficiaries or servicers appeared at the hearing and no party presented evidence in opposition to the proposed Plan. Neither PBC nor the Department received any letters offering substantive commentary in relation to the subject matter of the hearing.

During the course of the hearing, representatives of PBC presented testimony and documents supporting the proposed voluntary rehabilitation and dissolution of PBC, and were cross-examined by the Department. This testimony and documentation showed that the Board of Directors of PBC has unanimously requested, pursuant to D.C. Code § 35-2811(12), that PBC be rehabilitated under Title 35 of the D.C. Code, and in accordance with the Plan. (See PBC Exhibits 2-6).

Issues Considered

The following issues were considered:

1. Whether grounds exist for PBC to be voluntarily rehabilitated under Title 35 of the D.C. Code, and in accordance with the Plan.

2. Whether the Commissioner should apply by petition for the voluntary rehabilitation of PBC, in accordance with the Plan, pursuant to section 35-2810(12) of the D.C. Code.

Findings of Fact

The Commissioner makes the following findings of fact based on the record as a whole:

1. That the Board of Directors of PBC has requested that PBC be voluntarily rehabilitated under Title 35 of the D.C. Code, in accordance with the Plan. p. 13: 5-6; p. 21: 20-24; p. 24: 7-14; p. 25: 12-15; PBC Exhibits 3,4, and 5.

2. That PBC received due notice of the public hearing. p. 4: 16-17; p. 13: 7-9; p. 27: 11-19; p. 28: 7-11; p. 28: 19-24; p. 29: 14-18; p. 30: 7-10; PBC Exhibits 6,7,8, and 9.

3. That PBC beneficiaries and servicers received notice of the hearing duly given, together with explanatory materials reviewed by the Department by letter dated June 25, 1999. Further, notice of the public hearing was published in the D.C. Register on July 2, 1999, and in The Wall Street Journal on June 29, 1999. p. 4: 16-17; p. 13: 7-9; p. 27: 11-19; p. 28: 7-11; p. 28: 19-24; p. 29: 14-18; p. 30: 7-10; PBC Exhibits 6,7,8, and 9.

4. That PBC presented two Directors as witnesses to testify and be examined at the hearing. No other individuals appeared either to offer testimony or to examine PBC's witnesses. The Staff of the Department cross-examined PBC's witnesses and elicited additional evidence. No beneficiaries or servicers appeared at the hearing to present testimony. p. 6: 15-16; p. 8: 3-5; and p. 19: 12-14.

5. That PBC has received no letters or telephone calls from persons offering substantive commentary on the subject matter of the hearing. p. 13: 9-11; p. 30: 22-25, and p. 31: 1-2.

6. That PBC was formed in June, 1988 for the exclusive purpose of providing replacement mortgage guaranty insurance on loans formerly insured by TICOR Mortgage Insurance Company ("TMIC"), a California company which was ordered into liquidation in April, 1988, due to its insolvency; that PBC was intended to provide interim coverage on the former TMIC loans until the number of outstanding loans was reduced to a level that warranted the discontinuation of PBC's operations; that originally, it was estimated that PBC would remain in existence for approximately five to seven years. p. 9: 19-24; p. 21: 1-4; and p. 23: 17-21.

7. That PBC has never written new business, and to date, over 120,000 of the 140,000 loans originally insured have now expired; that the half-life of even the most recent 30-year loans insured is approaching; that, for all loans remaining, the peak years of expected foreclosure have passed. p. 10: 13-17; p. 11: 1-6; and p. 24: 1-3.

8. That recent federal legislation, the Homeowners Protection Act of 1998 (12 U.S.C. § 4901, et seq.), has eliminated the requirement for future homeowners to carry mortgage guaranty insurance on seasoned loans with reduced risk exposure, thereby substantially diminishing the utility of PBC's continued operations. p. 11: 23-25; p. 12: 1-5; p. 18: 23-25, and p. 19: 1.

9. That having settled over $75 million of claims during its eleven years of existence, PBC has fulfilled its purpose, and it is now appropriate and timely for PBC to discontinue operations through a voluntary dissolution. p. 10: 22-25; p. 13: 12-16; p. 21: 5-14; p.23: 22-25; and p. 24: 4-6.

10. That the Plan is intended to (1) facilitate the orderly dissolution of PBC; (2) preserve the rights of beneficiaries to have access to Excess Premium for the settlement of their claims; and (3) minimize special or unusual processing requirements for loan servicers. p. 4: 12-15; p.15: 13-14, and PBC Exhibit 6.

11. That the Department has performed a financial examination on PBC, as of December 31, 1998. p. 32: 21-23.

12. That the preliminary examination report indicated that PBC had approximately $13, 670,845 in capital and surplus as of December 31, 1998 and that PBC meets the minimum capital and surplus requirements of the District of Columbia Code. p. 33: 6-25 and p. 34: 1-2.

13. That PBC's proposed plan of dissolution, if followed, based on the amount of capital and surplus as of December 31, 1998, indicates that PBC would be financially solvent at the conclusion of the runoff period. p. 34: 3-16.

Conclusions of Law

The Commissioner makes the following conclusions of law pursuant to the APA:

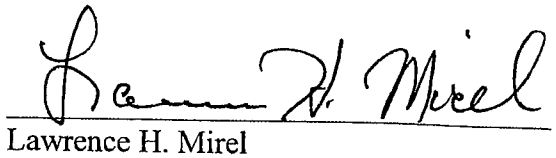
1. Grounds for the voluntary rehabilitation of PBC exist under Section 35-2810(12) of the D.C. Code, as PBC's Board of Directors has requested that PBC be voluntarily rehabilitated under Title 35 of the D.C. Code.

2. No other grounds for the rehabilitation of PBC exist under Section 35-2810 of the D.C. Code.

Order

IT IS HEREBY ORDERED that since no grounds exist to deny the voluntary rehabilitation of Policyholders Benefit Corporation, the Department shall apply, through the Office of the Corporation Counsel, by petition to the Superior Court of the District of Columbia for an order authorizing the Department to rehabilitate Policyholders Benefit Corporation in accordance with the Plan of Voluntary Rehabilitation and Dissolution, pursuant to Section 35-2810(12) of the D.C. Code.

Dated this 27th day of August, 1999.



Lawrence H. Mirel
Acting Commissioner
Department of Insurance and Securities Regulation

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