

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

RECEIVED

APPEAL FROM RICHLAND COUNTY
Court of Common Pleas

AUG 25 2016

SC Court of Appeals

The Honorable G. Thomas Cooper, Jr., Circuit Court Judge

Case No. 2014-CP-40-0313

Appellate Case No. 2016-000192

Raymond G. Farmer, as Director of the South Carolina
Department of Insurance, Petitioner,

v.

CAGC Insurance Company, in Liquidation, Respondent.

South Carolina Property and Casualty Insurance
Guaranty Association, Appellant,

v.

CAGC Insurance Company, in Liquidation; Raymond
G. Farmer, in his capacity as Ancillary Receiver of
CAGC Insurance Company, in Liquidation; and
CompTrustAGC of South Carolina a/k/a
CompTrustAGC of South Carolina, Inc., Respondents.

**BRIEF OF RESPONDENT RAYMOND G. FARMER,
IN HIS CAPACITY AS ANCILLARY RECEIVER OF CAGC
INSURANCE COMPANY, IN LIQUIDATION**

Geoffrey R. Bonham
1201 Main Street, Suite 1000
P.O. Box 100105 (29202-3105)
Columbia, SC 29201
(803) 737-6132

*Attorney for Raymond G. Farmer, in his capacity as Ancillary Receiver of CAGC
Insurance Company, in Liquidation*

TABLE OF CONTENTS

TABLE OF AUTHORITIESii

STATEMENT OF ISSUE ON APPEAL1

ARGUMENT.....2

CONCLUSION4

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Ins. Comm'n v. New South Life Ins. Co.</i> , 270 S.C. 612, 244 S.E.2d 289 (1978).....	2, 3
Statutes	
S.C. Code Ann. § 38-3-10 (2015)	2
S.C. Code Ann. § 38-27-940 (2015)	2
S.C. Code Ann. §§ 38-29-10 <i>et seq.</i>	2, 3
S.C. Code Ann. § 38-31-60(d) (2015)	4
Titles 15 of the Code of Laws of South Carolina 1976, as amended	4
Titles 33 of the Code of Laws of South Carolina 1976, as amended	4

STATEMENT OF ISSUE ON APPEAL

- I. Did the supervising court err by dismissing CompTrustAGC of South Carolina a/k/a/ CompTrust AGC of South Carolina, Inc. from the Association's declaratory judgment action instead of allowing the Association to conduct discovery related to its assertion that it is not responsible for the Transferred Claims?

ARGUMENT

This appeal arises out of an action for declaratory judgment by the intervenor within an ancillary insurance company receivership. The Respondent Raymond G. Farmer is the Director of the South Carolina Department of Insurance in his capacity as the Ancillary Receiver of CAGC, an insurer in liquidation proceedings in North Carolina.

S.C. Code Ann. § 38-27-940 (2015) provides that if a domiciliary liquidator has been appointed for an insurer not domiciled in this State, the Director of the South Carolina Department of insurance or his designee may file a petition with the Court of Common Pleas (in Richland County) requesting appointment as ancillary receiver in this State, provided he finds that there are sufficient assets of the insurer located in this State to justify the appointment of an ancillary receiver or if the protection of creditors or policyholders in this State so requires. After the liquidation of CAGC in North Carolina, and in light of the Association's contention that it was not statutorily responsible for "Transferred Claims" this Respondent filed a petition for the ancillary receivership.

Pursuant to S.C. Code Ann. § 38-27-940, the Ancillary Receiver has the same powers and is subject to the same duties with respect to the administration of assets as if he were appointed the Liquidator of an insurer domiciled in this State. *Ins. Comm'n v. New South Life Ins. Co.*, 270 S.C. 612, 627-628, 244 S.E.2d 289, 297 (1978). The Insurance Law provides for the appointment of the Director as receiver in insurance insolvency matters because of expertise regarding the insurance industry as specified in S.C. Code Ann. § 38-3-10 (2015). *See New South Life*, 270 S.C. at 627-628, 244 S.E.2d at 297. He serves as an arm of the supervising court and, as such, is answerable to the court, as is a receiver in other ordinary insolvency matters. *Id.* The supervising court acts in a general

supervisory role, approving or disapproving the recommendations and actions of the receiver and resolving any disputes arising from conflicting interests of the various parties.

Id. It is in this official capacity that the Ancillary Receiver submits this brief.

This Respondent is substantially in agreement with Appellant's statement that the "sole issue before this Court is whether CompTrust AGC of South Carolina a/k/a CompTrust AGC of South Carolina, Inc. ('CompTrust') is a proper party to the declaratory judgment action brought by South Carolina Property and Casualty Insurance Guaranty Association ('Association')" in this ancillary receivership. Not at issue is whether, as a matter of law, the Association is or is not responsible under Chapter 29 of Title 38 for paying what Appellant calls the "Transferred Claims." The Appellant essentially acknowledges this in arguing it "should be allowed to continue with [its] action with CompTrust reinstated as a party so that the Association may fulfill its statutory obligation to fully investigate the claims CompTrust attempted to transfer to CAGC" and that it should be allowed "to conduct the discovery necessary to determine whether the [claims] transfer . . . was proper."

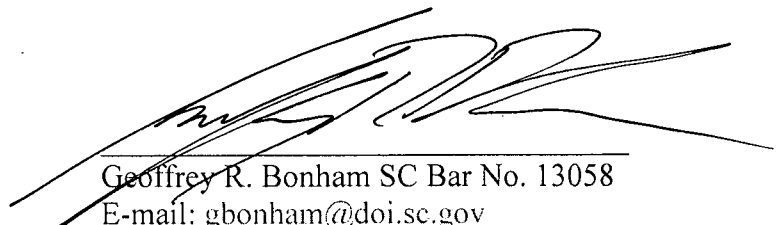
The Ancillary Receiver takes no issue with Appellant's general description and explanation of the provisions and operation of the South Carolina Life and Accident and Health Insurance Guaranty Law, S.C. Code Ann. §§ 38-29-10 *et seq.* He takes no position on whether (1) the lower court Order dismissing CompTrust improperly reversed a prior circuit court order, (2) the three-year statute of limitations does not support the dismissal of CompTrust, (3) dissolution does not insulate CompTrust from suit, or (4) the Association's claims are moot. This Respondent also agrees generally that the Association has a statutory duty to investigate claims asserted against the Association and the statutory

authority to bring suits to prevent collusion and fraud pursuant to, *inter alia*, S.C. Code Ann. § 38-31-60(d) (2015). To the extent Appellant might be understood to argue that it is entitled to judgment that, as a matter of law, it is not responsible the Transferred Claims, this Respondent submits that this is not an issue properly presented by the instant appeal. The Ancillary Receiver did not maintain in the court below that any party was entitled to judgment as a matter of law regarding any provision of the Insurance Law, and he does not make such an assertion before this Court.

The sole issue presented involves the interpretation of Titles 15 and 33 of the Code of Laws of South Carolina 1976, as amended, matters that do not implicate the Ancillary Receiver's "expertise regarding the insurance industry." In the court below, the Ancillary Receiver was not asked for and did not offer any opinion whatsoever on the application of Title 15 or the Corporation Code. Accordingly, this Respondent takes no position as to the arguments presented by Appellant as to whether the lower court, in granting CompTrust's motion to dismiss, properly applied the cited provisions of Titles 15 and 33.

CONCLUSION

Respondent takes no position as to the specific issue presented on appeal.



Geoffrey R. Bonham SC Bar No. 13058
E-mail: gbonham@doi.sc.gov
1201 Main Street, Suite 1000
Post Office Box 100105 (29202-3105)
Columbia, SC 29201
(803) 737-6219

Attorney for Raymond G. Farmer, in his
capacity as Ancillary Receiver of CAGC
Insurance Company, in Liquidation

Columbia, South Carolina
August 25, 2016

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

RECEIVED

AUG 25 2016

SC Court of Appeals

APPEAL FROM RICHLAND COUNTY
Court of Common Pleas

The Honorable G. Thomas Cooper, Jr., Circuit Court Judge

Case No. 2014-CP-40-0313

Appellate Case No. 2016-000192

Raymond G. Farmer, as Director of the South Carolina
Department of Insurance, Petitioner,

v.

CAGC Insurance Company, in Liquidation, Respondent.

South Carolina Property and Casualty Insurance
Guaranty Association, Appellant,

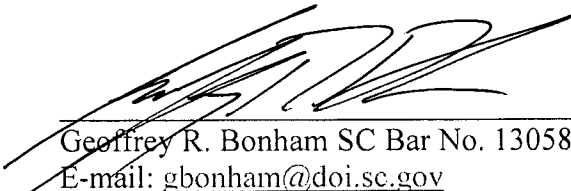
v.

CAGC Insurance Company, in Liquidation; Raymond
G. Farmer, in his capacity as Ancillary Receiver of
CAGC Insurance Company, in Liquidation; and
CompTrustAGC of South Carolina a/k/a
CompTrustAGC of South Carolina, Inc., Respondents.

CERTIFICATE OF COUNSEL

The undersigned certifies that this Final Brief complies with Rule 211(b), SCACR.

August 25, 2016



Geoffrey R. Bonham SC Bar No. 13058
E-mail: gbonham@doi.sc.gov
1201 Main Street, Suite 1000
Post Office Box 100105 (29202-3105)
Columbia, SC 29201

(803) 737-6219

Attorney for Raymond G. Farmer, in his
capacity as Ancillary Receiver of CAGC
Insurance Company, in Liquidation

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

RECEIVED

AUG 25 2016

SC Court of Appeals

APPEAL FROM RICHLAND COUNTY
Court of Common Pleas

The Honorable G. Thomas Cooper, Jr., Circuit Court Judge

Case No. 2014-CP-40-0313

Appellate Case No. 2016-000192

Raymond G. Farmer, as Director of the South Carolina
Department of Insurance, Petitioner,

v.

CAGC Insurance Company, in Liquidation, Respondent.

South Carolina Property and Casualty Insurance
Guaranty Association, Appellant,

v.

CAGC Insurance Company, in Liquidation; Raymond
G. Farmer, in his capacity as Ancillary Receiver of
CAGC Insurance Company, in Liquidation; and
CompTrustAGC of South Carolina a/k/a
CompTrustAGC of South Carolina, Inc., Respondents.

PROOF OF SERVICE

I, the undersigned Administrative Assistant for the South Carolina Department of Insurance, on behalf of counsel to the Director in his capacity as Ancillary Receiver, do hereby certify that I have served all counsel in this matter with a copy of the final Brief of Respondent Raymond G. Farmer, in his capacity as Ancillary Receiver of CAGC Insurance Company, in Liquidation by mailing a copy of same by United States Mail, postage prepaid, to the following address(es):

Howard A. VanDine, Esq.
A. Mattison Bogan, Esq.
Erik T. Norton, Esq.

Tara C. Sullivan, Esq.
Nelson Mullins Riley & Scarborough LLP
1320 Main Street, 17th Floor
Columbia, SC 29201

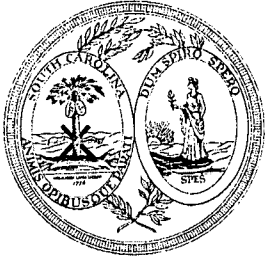
Michael A. Molony, Esq.
T. Douglas Concannon, Esq.
Young Clement Rivers, LLP
25 Calhoun St #400
Charleston, SC 29401

David W. Boone, Esq.
NC Department of Justice
P.O. Box 629
Raleigh, NC 27602



Steven R. DuBois
Assistant to the General Counsel
S.C. Department of Insurance
P.O. Box 100105
Columbia, SC 29202-3105

Columbia, South Carolina
August 8, 2016



South Carolina Department of Insurance

NIKKI R. HALEY
Governor

Office of General Counsel
P.O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803) 737-6219
Facsimile: (803) 737-6229

RAYMOND G. FARMER
Director of Insurance

August 25, 2016

RECEIVED

AUG 25 2016

SC Court of Appeals

HAND-DELIVERED

The Honorable Jenny Abbott Kitchings
Clerk of Court
S.C. Court of Appeals
1220 Senate Street
Columbia, SC 29201

Re: Raymond G. Farmer, etc. v. CAGC Insurance Company in Liquidation
Civil Action No. 2014-CP-40-0313
Appellate Case No. 2016-000192

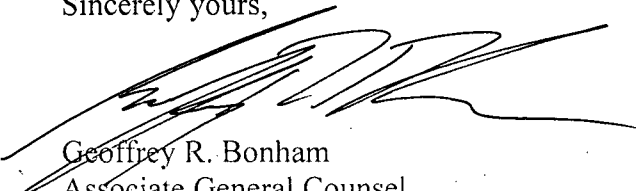
Dear Ms. Kitchings:

Enclosed please find the original and twenty (20) copies of the Brief of Respondent Raymond G. Farmer, in his capacity as Ancillary Receiver of CAGC Insurance Company, in Liquidation in the above-referenced matter, together with a Certificate of Compliance with Rule 211(b), SCACR and a Proof of Service. Please clock-in and return the extra enclosed copies to us.

By copy of this letter, we are today serving counsel of record with a copy of this filing.

Thank you very much for your attention to this matter.

Sincerely yours,


Geoffrey R. Bonham
Associate General Counsel
*Attorney for Raymond G. Farmer, in his
capacity as Ancillary Receiver of CAGC
Insurance Company, in Liquidation*

The Honorable Jenny Abbott Kitchings
August 25, 2016
Page 2

Enclosures

c: Howard A. VanDine, Esq.
A. Mattison Bogan, Esq.
Erik T. Norton, Esq.
Tara C. Sullivan, Esq.
Michael A. Molony, Esq.
T. Douglas Concannon, Esq.
David W. Boone, Esq.