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Metropolitan Mortgage bankruptcy trustee criticizes proposal to sell the insurance affiliate

By John Stucke
The Spokesman-Review

SPOKANE — Insurance Commissioner Mike Kreidler has struck a \$52 million deal to sell the key insurance affiliate of bankrupted Metropolitan Mortgage & Securities.

The agreement, pending court approval, would end the challenging and controversial four-year receivership of Western United Life Assurance and deliver significant cash to Metropolitan noteholders, according to Kreidler's office.

Metropolitan trustee Maggie Lyons isn't so sure and is stung by how her legal and business advisers were shut out of the sales process and didn't learn of the deal or the name of the buyer — Global Life Holdings — until court papers were filed Friday night in Olympia.

"We need to understand what this deal is all about," Lyons said. "What I can say is this: This is not a \$52 million sale that will net that kind of cash to my creditors."

The proposed sale is the latest round in a long-running feud between Kreidler's office and the Metropolitan trust.

Kreidler seized Western United in March 2004 as Spokane-based Metropolitan filed for bankruptcy, an accounting scandal that led to criminal convictions. Federal lawsuits unfolded, and regulators found improper investments.

The deal calls for Metropolitan's stock in Western to be canceled. New stock would be issued to Global Life.

In exchange, a separate trust would be created to accept a \$5 million cash deposit; real estate that Kreidler's office values at \$15 million; and a \$32 million claim for reinsurance payments from Old Standard.

"It's a deal full of hooks and outs that we don't yet understand," said P.J. Grabicki, a lawyer representing creditors. "But if it has value and merit, we welcome the opportunity to learn more about it."

He and Lyons criticized the secrecy of the sales process and said they were still hoping to discuss the details of the proposed sale with Kreidler's staff.

The sale, according to insurance-commission spokeswoman Stephanie Marquis, would enable Western United to continue in business to support its annuity obligations to 26,000 policyholders.

A May 2 court hearing is scheduled, and Lyons said that unless she is satisfied that the deal is in the best interests of the thousands of noteholders who lost \$357 million, there will be a legal fight.

"We believe we have proposed a better rehabilitation plan that is stronger for the creditors and treats Western United's policyholders equally," she said. "Why is [the insurance commission] forcing this sale on the owners when it may not be in their best interests?"

Proposed buyer Global Life is owned jointly by Global Secured Capital and DLB Capital. The companies will finance the purchase from one U.S.-based investment fund and another offshore fund managed out of the Cayman Islands.

According to the proposed sale, the companies are in the business of investing and lending in life insurance-based assets.

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