

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO**

In re:

ROMAN CATHOLIC CHURCH OF THE
DIOCESE OF GALLUP, a New Mexico
corporation sole,

Debtor.

Chapter 11

Case No. 13-13676-t11

Jointly Administered with:

Case No. 13-13677-t11

Jointly Administered with:

BISHOP OF THE ROMAN CATHOLIC
CHURCH OF THE DIOCESE OF GALLUP,
an Arizona corporation sole.

This pleading applies to:

- All Debtors.
 Specified Debtor.

**DEBTORS' APPLICATION FOR AN ORDER AUTHORIZING THE
EMPLOYMENT OF INSURANCE ARCHAEOLOGY GROUP AS AN INSURANCE
ARCHEOLOGIST FOR THE DEBTORS AND DEBTORS-IN-POSSESSION**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

The Roman Catholic Church of the Diocese of Gallup, a New Mexico corporation sole (“**RCCDG**”), and the Bishop of the Roman Catholic Church of the Diocese of Gallup, an Arizona corporation sole (the “**Arizona Entity**”), the debtors and debtors-in possession (collectively the “**Debtors**”) in the above-captioned jointly administered cases (the “**Reorganization Cases**”), by and through their attorneys undersigned, hereby apply pursuant to 11 U.S.C. §§ 327, 328, 330 and 1107, Fed. R. Bankr. P. 2014 and 2016, and NM LBR 2016-1.1, and the United States Trustee’s “Operating Guidelines and Reporting Requirements for Debtors and Debtors in Possession and Trustees” as revised June 11, 2012 (the “**UST Guidelines**”) for an Order authorizing the employment of Insurance

Archaeology Group (“**IAG**”), a complex liability consulting firm, as an insurance archeologist for the Debtors in these Reorganization Cases.

This Application is supported by the verified statement of Sheila Mulrennan, President of IAG (the “**Mulrennan Statement**”), which is attached hereto as **Exhibit “A”** and incorporated herein by this reference and by the record of these Reorganization Cases. In further support of this Application, the Debtors represent as follows:

1. On November 12, 2013 (the “**Petition Date**”), the Debtors filed their Chapter 11 petition for relief, thereby commencing the Reorganization Cases. As of the Petition Date, the Debtors are operating their business and managing their affairs as debtors-in-possession pursuant to 11 U.S.C. §§ 1107(a) and 1108.

2. As part of their reorganization efforts, the Debtors, through their legal counsel, will need to negotiate settlements of sexual abuse tort claims (the “**Tort Claims**”) through bankruptcy court and/or out-of-court supervised restructurings. Therefore, it is essential to the Debtors’ reorganization efforts and to potential tort claimants that the extent and scope of the Debtors’ insurance coverage is determined by an expert insurance archeology firm. Though prior searches have been conducted by the Debtors, it is in the best interest of all parties to have a professional forensic review. IAG has extensive experience in insurance archeology services for complex cases that involve multiple claimants over an extended period of time including, but not limited to, tort litigation.

3. In these Reorganization Cases, many of the Tort Claims filed against the Debtors allegedly arose during the 1950s and 1960s — decades in which the Debtors are unclear what insurance company, if any at all, may have provided coverage. Though the

Debtors have established that Home Insurance provided insurance coverage from the years 1966 until 1975, the scope and extent of coverage prior to this is uncertain.

4. As of the Petition Date, thirteen separate tort claim actions have been filed against the Debtors. However, the claims against the Debtors will most likely increase after the Debtors obtain a bar date and publish notice of the deadline to assert claims against the Debtors. Therefore, it is vital to the success of the reorganization to understand the extent to which tort claimants can potentially recover, and from what sources.

5. Moreover, the defendants that have been named in the thirteen separate tort claim actions were employed by different entities within the Diocese of Gallup, or may not have been employed by the Debtors during the time the alleged acts occurred. Due to this, an insurance archeologist will not only be needed to investigate the internal record sources of the Debtors, but it will also be needed to review potentially relevant internal records of other entities, such as parishes, Catholic schools, retreat centers, religious orders, etc.

6. As evidenced by the Mulrennan Statement, IAG has a team with the required expertise, experience, and resources to locate and recover documentation of missing liability coverage and other historic insurance issues. Among other services, IAG will be able to review the earliest available insurance records, research top priority internal records, investigate related internal record sources, and identify potential outside sources. Consequently, the Debtors wish to employ IAG as their insurance archaeologist.

7. The Debtors have made arrangements to employ IAG as insurance archaeologist, for the professional compensation of IAG, and for reimbursement of IAG's costs, disbursements and expenses, subject to approval by the Bankruptcy Court. Such arrangements regarding IAG are described in the Mulrennan Statement, and these are the

only arrangements between IAG and the Debtors regarding this matter. By the signature of the authorized representative for the Debtors on this Application, the Debtors expressly acknowledge, understand, and agree to all of such arrangements, subject only to approval by the Bankruptcy Court.

8. Subject to the approval of the Bankruptcy Court, as set forth in the Mulrennan Statement, the Debtors and IAG have made the following agreements regarding the employment of IAG, compensation for professional services and reimbursements of IAG for costs, disbursement, and other expenses which it may incur during the scope of its insurance policy investigation:

a. The Debtors have agreed that IAG is employed as its insurance archaeologist, effective as of the date of the filing of this Application.

b. The Debtors and IAG have agreed that IAG will charge for its professional services at hourly rates set forth in the Mulrennan Statement.

c. IAG will produce any uncovered historical insurance information to the Debtors.

9. Counsel for the Unsecured Creditor's Committee (the "**Committee**") and the Debtors have agreed that it is in the best interest of all parties-in-interest to employ an insurance archaeologist to undertake this review. The Committee will be able to communicate with IAG and receive information and documents from IAG, after review and approval by the Debtors. During the course of the document review while acting in the course and scope of its employment, if IAG is provided documents that would be subject to

an applicable privilege, including, but not limited to the attorney-client privilege or attorney work product communications, the parties agree that any such disclosure would be an inadvertent disclosure by the Debtors and any such disclosure would not in any way waive the applicable privilege. IAG will not take direction from the Committee with respect to its investigation unless such direction is consented to in writing by the Debtors. If there is any dispute between the Debtors and the Committee regarding production of any documents or work product of IAG or direction regarding IAG's investigation, either the Committee or the Debtors may seek relief from the Court.

10. The Debtors are authorized, but not required, to pay IAG on a monthly basis, upon receipt of IAG's billing statements and prior to the Court's approval of IAG's compensation ("**Interim Payments**"), 100% of billed fees and 100% of reimbursable costs. Such payments are to be made from funds of the estate. The Debtors may make Interim Payments to IAG based on services charged at the hourly rates set forth in the Mulrennan Statement.

11. The services to be provided by IAG will not duplicate or overlap the efforts of any other professionals retained by the Debtors. The services to be provided by IAG are separate and different from the services to be provided by the other professionals and each is essential to the Debtors' reorganization efforts.

12. By the signature of Bishop James S. Wall on this Application, the Debtors' expressly acknowledge, understand and agree to all of the arrangements referenced in the Mulrennan Statement, subject only to approval by the Bankruptcy Court.

13. Except as may be disclosed in the Mulrennan Statement and to the best of the Debtors' knowledge, information, and belief, IAG does not have any connections with

the Debtors in the Reorganization Cases, the creditors of the Debtors' estate and any other parties-in-interest or their respective attorneys and accountants, the United States Trustee or any person employed by the Office of the United States Trustee. To the best of the Debtors' understanding, the information disclosed by IAG in the attached Mulrennan Statement does not preclude IAG from being employed by the Debtors under applicable law and ethical rules. As further reflected in the Mulrennan Statement and in accordance with 11 U.S.C. §§ 101(14), 327, and 328, IAG is "disinterested;" IAG is not employed by any entity in the Reorganization Cases that has any adverse interest to the Debtors; IAG does not hold an adverse interest to the Debtors in the Reorganization Cases, and IAG will not be employed by any other entity that may have an adverse interest to the Debtors or its estate during the course of its employment by the Debtors. As stated in the Mulrennan Statement, IAG will continue to determine whether any additional disclosures should be made as the case progresses and will update its disclosures as required during the pendency of the Reorganization Cases.

14. The Debtors respectfully request immediate consideration of this Application. The continuance of the Debtors' operations and negotiations with creditors, as well as the Debtors' obligations under the Bankruptcy Code, require that the Debtors have the immediate and substantial assistance of an insurance archaeologist in the Reorganization Cases.

WHEREFORE, the Debtors respectfully request that the Bankruptcy Court enter its Order:


A. Granting the relief requested by the Debtors in this Application;

B. Authorizing the employment of IAG as insurance archaeologist for the Debtors effective as of the date of the filing of this Application; and

C. Granting such other and further relief as is proper and just concerning this Application.

RESPECTFULLY SUBMITTED this 31st day of March, 2014.

ROMAN CATHOLIC CHURCH OF THE
DIOCESE OF GALLUP

By: 
Title: The Most Reverend, Fourth Bishop of
Gallup

CERTIFICATE OF SERVICE

Pursuant to F.R.C.P. 5(b)(3), F.R.B.P. 9036 and NM LBR 9036-1(b), I hereby certify that service of the foregoing “Debtors’ Application for an Order Authorizing the Employment of Insurance Archaeology Group as an Insurance Archeologist for the Debtors and Debtors-In-Possession” was made on April 1, 2014 via e-mail and the notice transmission facilities of the Bankruptcy Court’s case management and electronic filing system on the below listed parties, and via U.S. Mail to all additional parties on the Debtors’

Limited Notice Lists.

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Lori L. Winkelman

EXHIBIT "A"

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO**

<p>In re:</p> <p>ROMAN CATHOLIC CHURCH OF THE DIOCESE OF GALLUP, a New Mexico corporation sole,</p> <p style="text-align: center;">Debtor.</p> <hr/> <p>Jointly Administered with:</p> <p>BISHOP OF THE ROMAN CATHOLIC CHURCH OF THE DIOCESE OF GALLUP, an Arizona corporation sole.</p> <p>This pleading applies to:</p> <p><input checked="" type="checkbox"/> All Debtors. <input type="checkbox"/> Specified Debtor.</p>	<p>Chapter 11</p> <p>Case No. 13-13676-t11</p> <p>Jointly Administered with:</p> <p>Case No. 13-13677-t11</p>
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**VERIFIED STATEMENT OF SHEILA MULRENNAN PURSUANT TO
BANKRUPTCY RULES 2014(a) AND 2016(b) WITH RESPECT TO DEBTORS'
APPLICATION FOR AN ORDER AUTHORIZING THE EMPLOYMENT OF
INSURANCE ARCHAEOLOGY GROUP AS AN INSURANCE ARCHEOLOGIST
FOR THE DEBTORS AND DEBTORS-IN-POSSESSION**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

I, Sheila Mulrennan, declare under penalty of perjury as follows, pursuant to Fed. R. Bankr. P. 2014(a) and 2016(b):

1. I am an adult person, and I am a resident of New York, New York.
2. I am the President of Insurance Archaeology Group (“IAG”). I am duly authorized by IAG to make all statements which I have made in this Verified Statement on behalf of IAG and with respect to the “Debtors’ Application for an Order Authorizing the

Employment of Insurance Archaeology Group as an Insurance Archaeologist for the Debtors and Debtors-in-Possession” (the “Application”).¹

3. IAG investigates historic occurrence-based liability insurance for companies and other entities implicated in complex legacy liability cases, such as environmental, toxic tort and other tort liability cases.

4. IAG has agreed to provide professional services to the Debtors, subject to approval by the Court. IAG has been engaged to perform the following services:

a. Conduct a comprehensive review of the Debtors’ internal records to locate and recover documentation of potential missing liability coverage and other historic insurance assets.

b. Compile a policy list that outlines any information identified to date regarding historic insurance coverage.

c. Contact available Diocesan and other personnel to discuss the types of internal records stored by the Debtors.

d. Review any retained records of the Debtors, and other related entities, including, but not limited to: parishes, Catholic schools, retreat centers, and religious orders.

e. Identify and research potential external sources for retained evidence of insurance coverage from, including but not limited to, former brokers, outside counsel, additional insureds, and certificate holders.

¹ Capitalized terms not defined in this Verified Statement have the meaning ascribed to them in the Application.

f. Provide a comprehensive and complete summary to the Debtors of the results of the investigation and organized copies of any pertinent records located during the search.

g. Produce such reports, summaries, documents, and other information to the Debtors and the Committee as set forth in the Application.

5. In accordance with 11 U.S.C. § 504 and as required by Fed. R. Bankr. P. 2016, I hereby expressly confirm that no agreement or understanding exists between IAG and any other person for the sharing of any of IAG's compensation for professional services rendered or to be rendered to the Debtors in, or in connection with, the Reorganization Cases; furthermore, IAG has not made, and will not make, any sharing of compensation, any agreement to share compensation or any other agreement prohibited by 11 U.S.C. § 504. All agreements related to the employment of IAG by the Debtors and the hourly rates and charges for costs to be reimbursed are as disclosed in herein.

6. IAG intends to apply for compensation for professional services on an hourly basis, subject to approval of the Bankruptcy Court and in compliance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Bankruptcy Court's local rules and orders of the Bankruptcy Court, plus reimbursement of actual, necessary expenses. The hourly rates to be charged to the Debtors are consistent with the rates IAG has charged in other cases of this type. Insurance archaeology research is conducted on a time and expense basis with insurance archaeology specialists, and will bill at the standard rate of \$150-\$350 per hour.

7. IAG is a "disinterested person" as that term is defined in 11 U.S.C. § 101(14), as modified by 11 U.S.C. § 1107(b), because neither IAG nor its employees:

- a. Are creditors or insiders of the Debtors; and
- b. Are not and were not, within two years before the date of filing of the Reorganization Cases, a director, officer, or employee of the Debtors.

8. There is no connection between me or any professional at IAG and any United States Bankruptcy Judge in this District, or with the United States Trustee for this District or any employee thereof.

9. To the best of my knowledge, IAG does not have any other connections with the Debtors, its creditors, any other parties-in-interest, or their respective attorneys and accountants. To the best of my knowledge, IAG does not have an interest materially adverse to the interests of the Debtors or the estate by reason of any direct or indirect relationship.

10. I do not believe that any of the matters and disclosures identified in this Verified Statement render IAG not disinterested, or otherwise impact its ability to effectively provide insurance archaeology services to the Debtors.

11. IAG will periodically review its files during the course of its employment by the Debtors to make sure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered or arise, IAG will use reasonable efforts to identify any such further developments and will promptly file a supplemental affidavit as required by Fed. R. Bankr. P. 2014(a).

12. Based on the foregoing, IAG is eligible to be employed as an insurance archaeologist to the Debtors.

13. After conducting or supervising the investigation described above, I declare under penalty of perjury under the laws of the United States of America, that the foregoing is true and correct to the best of my knowledge, information, and belief. I have made all of the foregoing statements on behalf of IAG in support of its Application and in compliance with Fed. R. Bankr. P. 2014(a) and 2016(b). If called to testify, I would testify as I have stated herein.

DATED: March 28, 2014


SHEILA MULRENNAN