

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

BLITZ U.S.A., Inc., et al.,

Debtors.

)
) Chapter 11
)
) Case No. 11-13603 (PJW)
)
) (Jointly Administered)
)
) Hearing Date: July 17, 2012 at 9:30 a.m.
) Objection Deadline: July 10, 2012 at 4:00 p.m.
)
) RE Docket No. 574
)

RESERVATION OF RIGHTS

Old Republic Insurance Company (“ORIC”), by and through its undersigned counsel, hereby submits this reservation of rights relating to Debtors’ Motion Pursuant to 11 U.S.C. §§ 105(a), 363, and 365, and Bankruptcy Rules 2002, 6004, and 6006 for (I) Entry of An Order (A) Establishing Bidding and Auction Procedures Related to the Sale of Substantially All of the Debtors’ Assets; (B) Establishing Procedures for Approval of Related Bid Protections; (C) Scheduling an Auction and Sale Hearing; (D) Establishing Notice Procedures for Determining Cure Amounts for Executory Contracts and Leases to be Assigned; and (E) Granting Certain Related Relief; and (II) Entry of an Order (A) Approving the Sale of Substantially All of the Debtors’ Assets Free and Clear of All Liens, Claims, Encumbrances and Interests; and (B) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases (the “Motion”). [Dkt. No. 574.]

Reservation of Rights

1. Blitz U.S.A., Inc. and certain of its affiliates (the “Debtors”) filed chapter 11 petitions with this court on November 9, 2011 (the “Petition Date”). The Debtors

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state that they had to file those petitions as a result of the significant number of product liability suits filed against them relating to portable consumer gasoline containers (“PCGC’s”) manufactured by certain of the Debtors.

2. ORIC issued certain commercial general liability policies to Blitz U.S.A., Inc., (“Blitz”) and certain of its affiliates for policy periods from July 31, 2010 to July 31, 2012 (the “Policies”), under which the Debtors were, and continue to be, provided coverage. The Policies were subject to a \$1 million self-insured retention. In addition, the Policies are fronting policies, meaning that the \$3 million deductible applicable to each policy is equal to the \$3 million policy limits. The Debtors are, therefore, required to reimburse ORIC for any payments it makes with respect to the Policies. The Debtors and ORIC executed a Program Agreement relating to the Policies (the “Program Agreement”). The Program Agreement provides that the Debtor and all of the named insureds under the Policies are jointly and severally liable for all amounts owed to ORIC under the Program Agreement or in connection with the Policies. Furthermore, ORIC has an administrative claim with respect to any payments ORIC makes under the Policies relating to accidents that occurred between the Petition Date and July 31, 2012.

3. In the Motion, the Debtors state that they will cease manufacturing on or before July 31, 2012, when their insurance coverage ends, implying that they do not need product liability coverage after they cease manufacturing. Motion ¶4. This is not the case. The Policies issued by ORIC are “occurrence” policies meaning the Debtors are only insured for accidents that occur during the policy periods. On information and belief, the coverage provided to the Debtors by other insurance carriers contained similar terms. As a result, because Debtors’ insurance coverage expires on July 31, 2012, if

someone is injured by one of the Debtors' PCGCs on August 1, 2012, the Debtors will have no insurance coverage for that accident. Additionally, such an uninsured incident might give rise to an administrative claim against the Debtors' estates.

4. ORIC is filing this Reservation of Rights in order to refute potentially misleading statements made by the Debtors in the Motion and in other pleadings filed in this case. ORIC hereby preserves all of its coverage defenses with respect to claims asserted under the Policies. ORIC also reserves all rights and arguments with respect to the amount and priority of its claims arising from the Policies and the Program Agreement.

Dated: July 10, 2012

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