
BOND INSURANCE - PUERTO RICO

In re Financial Oversight and Management Board for Puerto Rico

United States Court of Appeals, First Circuit - March 3, 2021 - F.3d - 2021 WL 805936

Insurers of bonds issued by the Puerto Rico Highways and Transportation Authority (HTA) moved for relief from automatic stay so that they could seek to apply certain revenues collected by Puerto Rico and the HTA to the payment of claims stemming from HTA bonds.

The United States District Court denied motion, and insurers appealed.

The Court of Appeals held that district court did not abuse its discretion in denying stay relief motion and in not allowing companies that had insured bonds to bring suit in another forum challenging the Commonwealth's decision to suspend payment on the bonds.

On motion for relief from automatic stay that was triggered by commencement of Title III case under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), district court did not abuse its discretion in denying motion and in not allowing companies that had insured bonds issued by certain Commonwealth entities to bring suit in another forum challenging the Commonwealth's decision to suspend payment on the bonds; grant of stay relief to allow companies to commence litigation in another forum, when the issues that they sought to raise would ultimately be addressed in Title III case, would not promote judicial economy and would interfere with bankruptcy case.

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