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Company f/k/a Aetna Casualty & Surety Company

16 **UNITED STATES BANKRUPTCY COURT**
17 **NORTHERN DISTRICT OF CALIFORNIA**
18 **OAKLAND DIVISION**

19 In re:
20 THE ROMAN CATHOLIC BISHOP
21 OF OAKLAND, a California
22 corporation,
Debtor.
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Case No. 23-40523 WJL
Chapter 11
**RESPONSE TO DEBTOR'S
STATUS CONFERENCE
STATEMENT FOR JANUARY
20, 2026**
Judge: Hon. William J. Lafferty
Status Conference:
Date: January 20, 2026
Time: 1:00 pm
Place: United States Bankruptcy
Court: 1300 Clay Street
Courtroom 220
Oakland, CA 94612

Case No. 23-40523-WJL

1 **TO THE HONORABLE WILLIAM J. LAFFERTY, AND ALL PARTIES**
2 **AND THEIR COUNSEL OF RECORD**

3 Travelers Casualty and Surety Company f/k/a Aetna Casualty & Surety
4 Company (“Travelers”) files this response to the Roman Catholic Bishop of
5 Oakland’s, the debtor and debtor in possession (the “Debtor”), status conference
6 statement filed on January 16, 2026 in the above-captioned bankruptcy action.

7 Under **Section C. State Court Litigation/Lift Stay**, the Debtor makes
8 inappropriate incorrect statements regarding Travelers’ defense of the Debtor in the
9 released state court cases proceeding toward trial since the Lift Stay Order’s entry.
10 Travelers must correct the record. Travelers agreed to defend, and defended, the
11 Debtor in the underlying actions prior to the bankruptcy, and continues to defend the
12 Debtor against these actions, subject to a reservation of rights that Travelers
13 acknowledges entitles the Debtor to independent defense counsel rights pursuant to
14 California Civil Code section 2860 (“Section 2860”). Prior to the automatic stay, the
15 Debtor selected Foley & Lardner LLP as its independent defense counsel with
16 Travelers paying the defense fees. Nothing has changed. Travelers continues to
17 defend the Debtor against the underlying actions subject to stay relief with Foley
18 serving as the Debtor’s independent defense counsel, including the *Woodall* Action.

19 By correspondence dated November 17, 2025, the Debtor conveyed to
20 Travelers it wanted to change its independent counsel selection to the Fennemore law
21 firm—demanding Travelers pay rates up to \$850 per hour—to serve as defense
22 counsel in the *Woodall* Action set to go to trial in March 2026. Travelers responded
23 by correspondence dated December 17, 2025, citing Section 2860’s independent
24 counsel fee provisions, which limit such rates to those “actually paid by the insurer to
25 attorneys retained by it in the ordinary course of business in the defense of similar
26 actions in the community where the claim arose or is being defended.” Cal. Civ.
27 Code § 2860(c); *see, e.g., Michael Taylor Designs, Inc. v. Travelers Property Cas.*
28 *Co. of America*, 761 F. Supp. 2d 904, 914 (N.D. Cal. 2011) (“Once Travelers

1 accepted the defense, its only contractual and statutory obligation was to provide a
2 defense at ‘panel rates,’ whether that happened to be through a law firm of its own
3 choosing or counsel previously employed by the insured.”). Citing, under strict
4 confidentiality, a recent example (October 2025) of defense counsel rates Travelers
5 paid for the defense of a similar action involving allegations of sexual abuse against a
6 religious organization, Travelers offered two rate schedule options for work
7 performed leading up to trial. Travelers offered to pay certain of Debtor’s defense
8 counsel a special higher rate for trial work. The Debtor never responded to
9 Travelers’ letter, and everything remained status quo – Travelers continues to defend
10 the Debtor against the *Woodall* Action through the Debtor’s independent counsel.

11 Additionally, the Debtor demanded documents from Travelers to support
12 Travelers’ defense counsel rates, a demand wholly unsupported under California law.
13 Authorities on this issue hold the opposite, stating an insurer does not act in bad faith
14 for disputing independent counsel’s fees prior to binding Section 2860 arbitration.
15 *Wallis v. Centennial Ins. Co., Inc.*, 982 F. Supp. 2d 1114, 1123 (E.D. Cal. 2013)
16 (“Without a determination from the arbitrator that the full amount of fees sought by
17 [defense counsel] were ‘reasonable and necessary,’ defendants’ withholding of the
18 full amount of fees cannot serve as a basis for plaintiffs’ breach of contract or bad
19 faith claims here.”). As discussed above, Travelers confidentially disclosed to the
20 Debtor a specific and recent example of fees paid to defense counsel in a near-
21 identical case and offered to pay the Debtor’s selected independent counsel the exact
22 same rate, which more than satisfies Travelers’ obligations under the policies and
23 Section 2860. The Debtor violated this strict confidence without second thought
24 through its status conference statement when discussing one of two fee arrangements
25 Travelers offered to the Debtor, underscoring why California law protects disclosure
26 of such sensitive information outside a binding Section 2860 arbitration proceeding.

27 Lastly, the Debtor claims “Travelers has not identified a single attorney who
28 would agree to take the case with trial in March 2026 for such a rate.” Travelers

1 finds this statement confusing since the Debtor asserted its right to select independent
2 counsel to defend it in the *Woodall* Action, and at no time waived or even suggested
3 a willingness to waive its Section 2860 rights or requested Travelers retain defense
4 counsel for the Debtor, thus foreclosing Travelers from unilaterally retaining defense
5 counsel to serve as lead trial counsel for the Debtor. The Debtor’s comments
6 regarding Travelers’ rates being “unacceptably low” and a “pittance” are
7 inappropriate and false, as shown by Travelers identifying rates paid to defense
8 counsel in a near-identical religious order sex abuse tort action in the Bay Area in its
9 December 17, 2025 letter to the Debtor.

10 The Debtor is well aware this Court, or any other court, is not the appropriate
11 venue to litigate this issue and Travelers is not trying to do so here. The Debtor’s
12 inaccurate attacks on Travelers contained in its filed statement compelled Travelers
13 to respond. Travelers has never refused to defend the Debtor against the *Woodall*
14 Action, or any other underlying action subject to stay relief, and is in fact presently
15 defending the Debtor against these actions. Further, Travelers went above and
16 beyond its obligations by confidentially disclosing rate information outside of a
17 Section 2860 fee arbitration proceeding to work together with the Debtor on its
18 request to substitute in a different independent counsel, only to have its confidences
19 immediately violated. Travelers disputes the Debtor’s assertions that Travelers “is
20 refusing to honor its contractual obligations.” To the contrary, Travelers has met its
21 defense obligations consistent with its policies and Section 2860.

22 Dated: January 19, 2026

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25 By: /s/ Andrew D. Telles Wyatt
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