

At LAS Part *DS*, of the Supreme Court of the State of New York, at the Courthouse thereof, 60 Centre Street in the Borough of Manhattan, City and State of New York, on the *11th* day of *September*, 2006.

PRESENT:

HON. LELAND DEGRASSE

JUSTICE.

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In the Matter of

Index No. 403171/06

the Application of

ORDER

HOWARD MILLS, Superintendent of Insurance of the State of New York, for an Order of Appointment as Ancillary Receiver of

SHELBY CASUALTY INSURANCE COMPANY

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Upon reading and filing the Order to Show Cause of HOWARD MILLS, Superintendent of Insurance of the State of New York (the "Superintendent"), verified the day of , 2006, for an Order appointing him Ancillary Receiver of SHELBY CASUALTY INSURANCE COMPANY ("SHELBY CASUALTY"), and directing him to take possession of the property and to recover such other assets of SHELBY CASUALTY located in the state of New York, pursuant to Article 74 of the New York Insurance Law; and it appearing to my satisfaction that:

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COUNTY CLERK'S OFFICE
NEW YORK

1. SHELBY CASUALTY is domiciled in the state of Texas, and was licensed in the state of New York as a property and casualty insurer;

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2. SHELBY CASUALTY's principal place of business is located at 14100 San Pedro Avenue, Suite 510, San Antonio, Texas 78232;
3. SHELBY CASUALTY conducted an insurance business in the state of New York;
4. SHELBY CASUALTY was declared insolvent by a court of competent jurisdiction of the State of Texas on August 1, 2006 and is unable to meet its insurance obligations;
5. The Commissioner of Insurance for the State of Texas was appointed Liquidator of SHELBY CASUALTY;
6. SHELBY CASUALTY is amenable to the New York Insurance Law and particularly to Article 74 thereof;
7. It is in the best interests of all policyholders, claimants, creditors, and other interested persons located in the state of New York that the Superintendent be appointed Ancillary Receiver of SHELBY CASUALTY, subject to the order of this court.

NOW, on motion of the Hon. ELIOT SPITZER, Attorney General of the State of New York, it is ORDERED that:

1. The petition of HOWARD MILLS, Superintendent of Insurance of the State of New York, is granted.
2. HOWARD MILLS, Superintendent of Insurance of the State of New York, and his successors in office as Superintendent, be and he is and they are hereby appointed Ancillary Receiver of SHELBY CASUALTY, and are hereby authorized and directed forthwith to take possession of the property of SHELBY CASUALTY located in the state of New York, under and pursuant to the provisions of Article 74 of the Insurance Law of the state of New York and to deal with the property and business of SHELBY CASUALTY, and they are further directed to take and preserve all the other assets and claims which are the property of SHELBY CASUALTY and to protect same for the benefit of creditors, policyholders and other interested parties within the state of New York, pursuant to article 74 of the Insurance Law, and upon the authorization of this Court, may be required by law to pay such claims against SHELBY CASUALTY and/or its policyholders that are covered by the insurance security funds maintained in accordance with Article 76 of the Insurance Law and/or Article 6A of the Workers' Compensation Law.
3. SHELBY CASUALTY, its officers, directors, depositories, trustees, policyholders, attorneys, agents and employees and all other persons having any

such property or records relating to SHELBY CASUALTY located in the state of New York, including but not limited to claim files, legal files and insurance policy files, are hereby directed to assign, transfer and deliver to the Superintendent, as Ancillary Receiver, all of such property in the state of New York in whomsoever's name the same may be, and that any persons, firms or corporations having any books, papers or records relating to the business of said company shall preserve the same and submit them to the Superintendent, as Ancillary Receiver, for examination at such place as he shall reasonably designate or, at his request, make them available for examination at all reasonable times.

4. The officers, directors, trustees, depositories, policyholders, agents and employees of SHELBY CASUALTY, and all other persons, be and they are hereby enjoined and restrained from the further transaction of business or from dealing with or disposing of the property or assets of the company located in the state of New York, or doing or permitting to be done any act or thing which might waste its property or assets or allow or suffer the obtaining of preferences, judgments, attachments or other liens, or the making of any levy against said company, or its estate while in the possession and control of the Superintendent of Insurance, as Ancillary Receiver.
5. The officers, directors, trustees, depositories, policyholders, agents and employees of SHELBY CASUALTY and all other persons, including but not limited to claimants, plaintiffs and petitioners who have claims against SHELBY CASUALTY, be and they are hereby enjoined and restrained from bringing or further prosecuting any action or proceeding, including, but not limited to actions at law, suits in equity, special or other proceedings against SHELBY CASUALTY or its estate, the Superintendent and his successors in office, as Ancillary Receiver thereof, or the New York Liquidation Bureau with respect to claims against SHELBY CASUALTY, or from making or executing any levy upon the property or estate of said company, or the Superintendent as Ancillary Receiver, or the New York Liquidation Bureau, or from in any way interfering with the Superintendent or his successors in office, in his or their possession, control or management of the property of said company, or in the discharge of his or their duties as Ancillary Receiver thereof.
6. All parties to lawsuits, in which SHELBY CASUALTY is obligated to defend a party pursuant to or by virtue of an insurance policy or in which SHELBY CASUALTY is the excess or umbrella layer of insurance and the primary or other underlying insurer has tendered or offered its full policy limits or where said policy limits have been exhausted by payment of the underlying insurer's aggregate, are enjoined and restrained from proceeding in all actions at law, suits in equity, special, or other proceeding for 180 days from the date of entry of this order, including, but not limited to, proceedings with any discovery, pre-trial conference, trial, application for judgment, or proceedings on judgment or settlement.

7. Those persons who may have first-party or New York comprehensive automobile insurance reparations act (no-fault) policyholder loss claims against SHELBY CASUALTY coming within the purview of Article 76 of the Insurance Law, are enjoined from presenting and filing such claims in this proceeding for 90 days from the date of entry of this order.
8. Notice of making and entry of this order be given by publication in The New York Times, once a week for two successive weeks, and that said notice is sufficient notice to all persons interested in the assets of SHELBY CASUALTY.
9. The license of SHELBY CASUALTY to do business in the state of New York, be and the same is hereby revoked.
10. All further papers in this proceeding shall bear the caption and be entitled:

"SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the Matter of

the Ancillary Receivership of

SHELBY CASUALTY INSURANCE CORPORATION"

In place and stead of the caption heretofore used and the Clerk of the Court is directed to amend the court records to reflect the amendment of the caption upon service to him of a copy of this order with notice of entry.

ENTER

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J. S. C.

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SEP 19 2006
COUNTY CLERK'S OFFICE
NEW YORK

SUPREME COURT: NEW YORK COUNTY

Sir: Please take notice that the within is a true copy of duly filed and entered in the office of the clerk of the County, on the day of 20

Yours, etc.,
ELIOT SPITZER
Attorney General,

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To , Esq.

Attorney for

Sir

Please take notice that the within will be presented for settlement and signature herein to the HON. one of the judges of the within named Court, at in the Borough of City of New York, on the day of 200, at A. M. ,

Date, N.Y.,

Yours, etc.,
ELIOT SPITZER
Attorney General,

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To:

In the Matter of
the Application of

HOWARD MILLS, Superintendent of Insurance of the State of New York, for an Order of Appointment, as Ancillary Receiver of

SHELBY CASUALTY INSURANCE COMPANY

ORDER OF ANCILLARY RECEIVERSHIP

ELIOT SPITZER
Attorney General

Attorney for the Superintendent of Insurance

Office and Post Office Address
120 Broadway, New York, N.Y. 10271
Tel. (212) 416-8658

Personal service of a copy of

within..... day of
is admitted this..... day of
.....20