

MS# 10  
over

At IAS Part 15 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 80 Centre Street, in the County, City and State of New York, on the 11 day of JULY, 2013.

P R E S E N T:

HON. EILEEN A. RAKOWER, J.S.C.

13M16871

In the Matter of

Index No.: 402424/10

the Liquidation of

**ORDER TO SHOW CAUSE**

CENTENNIAL INSURANCE COMPANY.

Based on the attached affirmation (the "Affirmation") of Melvin Browning, an attorney with the New York Liquidation Bureau (the "Bureau"), the entity that carries out the duties of Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as liquidator (the "Liquidator") of Centennial Insurance Company ("Centennial"), dated July 8, 2013, and upon all the papers previously submitted and all proceedings heretofore had herein;

NOW, on motion of John Pearson Kelly, attorney for the Liquidator, and after due deliberation having been had thereon,

LET all claimants and parties interested in the affairs of Centennial show cause before this Court at IAS Part 15 thereof, at the Courthouse located at 80 Centre Street, New York, New York, on the 17 day of SEPT, 2013 ("Return Date") at 9:30 o'clock AM, or as soon thereafter as counsel can be heard, why an order should not be made, pursuant to Article 74 of the New York Insurance Law ("Insurance Law"), *inter alia*: (i) establishing September 30, 2013, as the bar date ("Bar Date") for the presentment to the Liquidator of all claims against

Centennial or its insureds other than the Liquidator's claims for administrative expenses; and  
(ii) providing for such other and further relief as this Court may deem just and proper;

AND, sufficient cause having been alleged therefor, and this Court having found the form and methods of notice specified herein to be the best notice practicable, it is hereby

ORDERED, that notice of the Affirmation and this Order to Show Cause shall be substantially in the form attached hereto and service shall be made by: (i) posting on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org> at least fifteen (15) days before the Return Date; and (ii) publication in *Business Insurance*, or a publication of similar circulation, once a week for two consecutive weeks commencing within thirty (30) days following issuance of this Order to Show Cause; and it is further

ORDERED, that the form and methods of service of notice specified herein are hereby approved as in accordance with the law and as the best notice practicable and shall therefore constitute due and sufficient notice of this Order to Show Cause and scheduled Return Date herein and the Affirmation and the relief sought therein to all persons and entities entitled to receive such notice; and it is further

ORDERED, that the approved form of notice shall direct that all answering papers and supporting documentation ("Answering Papers") be served on the Liquidator so as to be received at least seven (7) days prior to the Return Date and that service on the Liquidator shall be made by first class mail at the following address:

Superintendent of Financial Services of the State of New York as  
Liquidator of Centennial Insurance Company  
110 William Street  
New York, New York 10038  
Attention: John Pearson Kelly  
General Counsel

and by submitting copies of the Answering Papers, with affidavit of service on the Liquidator as above, to this Court at IAS Part 15 at the Courthouse located at 80 Centre Street, New York, New York, seven (7) days prior to the Return Date; and it is further

ORDERED, that in the absence of Answering Papers filed pursuant to the previous paragraph on or prior to the date specified, the Court may enter relief without hearing and no party shall be entitled to be heard thereon; and it is further

ORDERED, that any person or entity that fails to serve Answering Papers as provided herein shall be deemed to have waived any objections to the relief sought in the Affirmation and shall be barred from raising objections in this or any other proceeding concerning the matters set forth herein; and it is further

ORDERED, that any person or entity that has served Answering Papers as provided herein shall be deemed to have waived any objections that are not set forth in the Answering Papers.

ENTER:

  
J.S.C.  
**HON. EILEEN A. RAKOWER**

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

-----X  
In the Matter of

**AFFIRMATION**

the Liquidation of

Index No.: 402424/10

CENTENNIAL INSURANCE COMPANY.  
-----X

Melvin Browning, an attorney at law, duly admitted to practice before the Courts of the State of New York, hereby affirms the following to be true under the penalties of perjury:

1. I am an attorney with the New York Liquidation Bureau ("Bureau"), the entity that carries out the duties of the Superintendent of Financial Services of the State of New York as liquidator (the "Liquidator") of Centennial Insurance Company ("Centennial"). I make this affirmation ("Affirmation") upon information and belief, the sources of which are the files maintained by the Bureau and communications made to the affirmant by employees of the Liquidator.

3. On September 16, 2010, the Supreme Court of the State of New York, County of New York issued an order commencing a rehabilitation proceeding ("Rehabilitation Proceeding") in respect of Centennial and appointing the then-Superintendent of Insurance of the State of New York and his successors in office as Rehabilitator of Centennial. On April 27, 2011 (the "Liquidation Date"), this Court entered an order ("Liquidation Order") converting the Rehabilitation Proceeding into a liquidation proceeding ("Liquidation Proceeding") and appointing the Superintendent of Financial Services of the State of New York (the successor to the Superintendent of Insurance) and his successors in office as Liquidator of Centennial.

4. I submit this Affirmation in support of the Liquidator's motion, pursuant to Article 74 of the New York Insurance Law ("Insurance Law"), for an order ("Order"):

(i) establishing September 30, 2013, as the bar date ("Bar Date") for the presentment to the Liquidator of all claims against Centennial or its insureds other than the Liquidator's claims for administrative expenses; and (ii) providing for such other and further relief as this Court may deem just and proper.

5. Pursuant to Article 74 of the Insurance Law, the Liquidator is responsible for adjudicating all of the claims presented to Centennial. A claim is "adjudicated" upon the Liquidator's recommendation to the Court that the claim be either "allowed" or "disallowed." An "allowed" claim is one that has been approved by this Court and the claimant is therefore allowed to share in the distribution of assets pursuant to Insurance Law Section 7434. A "disallowed" claim is one that has been rejected and the claimant will not share in any distribution of the estate's assets. Pursuant to orders issued by this Court setting forth a procedure for adjudication of claims and appointing a referee, claimants who object to the Liquidator's recommendations are entitled to a hearing before the Court or a court-appointed referee.

6. The priority of distribution of assets from a liquidating insurer is set forth in Insurance Law Section 7434, which provides that all members of a senior class be paid in full before members of the next class may receive any payment. The classes of claims, as provided for in the prioritization scheme established by Insurance Law Section 7434, are as follows:

- a. Class one. Claims with respect to the actual and necessary costs and expenses of administration incurred by a liquidator or rehabilitator.
- b. Class two. All claims under policies, including claims of federal, state or local government for losses incurred, third party claims, claims for unearned premiums, and all

claims of security funds or guaranty associations, but excluding claims under reinsurance contracts.

c. Class three. Claims of the federal government, except those under Class two.

d. Class four. Claims for wages owing to employees of an insurer against whom an Article 74 proceeding is commenced within one (1) year prior to commencement of the proceeding (not exceeding \$1,200 to each employee), and claims for unemployment insurance contributions required by Article 18 of the New York Labor Law.

e. Class five. Claims of state and local governments, except those under Class two.

f. Class six. Claims of general creditors, including but not limited to claims arising under reinsurance contracts.

g. Class seven. Claims filed late or any other claims other than claims stated in Class eight or Class nine below.

h. Class eight. Claims for advanced or borrowed funds made pursuant to Insurance Law Section 1307.

i. Class nine. Claims of shareholders or other owners in their capacity as shareholders.

7. Between the Liquidation Date and June 30, 2013, 287 claims had been presented to the Liquidator, of which 215 are open claims. Of the 215 open claims, 1 is a Class three claim, 32 are Class five claims, 68 are Class six claims, and 114 are Class two claims, which includes the claims of the New York Property/Casualty Insurance Security Fund, New York Workers' Compensation Security Fund and 46 non-New York Guaranty Funds.<sup>1</sup>

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<sup>1</sup> The Security Funds were established under Insurance Law Article 76 to pay eligible claims remaining unpaid by reason of an insolvent insurer's inability to meet its obligations to policyholders. The guaranty funds of foreign states (*i.e.*, states other than New York) perform the same function pursuant to their respective state laws.

8. The establishment of a Bar Date represents an important step toward bringing the Liquidation Proceeding to a conclusion and is in the best interests of Centennial's policyholders, claimants, and creditors. Until the Bar Date is approved by this Court, Centennial's policyholders may continue to present to the Liquidator claims arising under insurance policies issued by Centennial.

9. Insurance Law Article 74 envisions that the distribution of the assets of a defunct insurer will strike "a reasonable balance between the expeditious completion of the liquidation and protection of unliquidated and undetermined claims." Insurance Law § 7434(a)(1). Establishing a Bar Date will enable the Liquidator to finalize the universe of remaining claims and estimate with greater certainty the ultimate liabilities of the estate. The Bar Date will also enable the Liquidator to project a timeline for the closure of the estate and facilitate the distribution of Centennial's assets to creditors with allowed claims. Without the Bar Date, claims could continue to be submitted indefinitely. As a result, the Liquidator would not be able to establish the total amount of allowed claims with reasonable certainty and would not be able to move toward closure of the Liquidation Proceeding.

10. The establishment of the Bar Date is in accordance with Insurance Law Section 7417, which vests courts with authority to grant such relief as the nature of the case and the interests of policyholders, creditors or the public may require. This authority encompasses the establishment of bar dates to facilitate the efficient closure of an estate in order to preserve and maximize the assets available to pay all classes of creditors with allowed claims. *See e.g., In the Matter of Dominion Ins. Co.*, Index No. 40924/1986 (Sup. Ct., N.Y. Co., April 5, 1999) (supervising court approving bar dates); *In the Matter of Ideal Mutual Ins. Co.*, Index No., 40275/1985 (Sup. Ct. N.Y. Co., December 12, 2003) (same).

11. The Liquidator believes that the establishment of the Bar Date at this time strikes the correct balance between an expeditious completion of the Liquidation Proceeding and the protection of Centennial's policyholders, claimants, and creditors.

12. The Liquidator proposes to give notice of the Bar Date to all of Centennial's potential claimants who have not filed a claim by publishing notice ("Notice") in substantially the form annexed as Exhibit A, in *Business Insurance*, or a publication of similar circulation, once a week for two consecutive weeks commencing within thirty (30) days following the entry of an order granting the relief sought in this Affirmation. The Liquidator will also post the Notice on the Internet web page maintained by the NYLB at <http://www.nylb.org>, within fifteen (15) days following the entry of an order granting the relief sought in this Affirmation. Those other creditors and claimants whose claims were adjudicated or whose claims remain open need not receive any specific notice as their claims are already filed and are part of the Liquidation Proceeding.

13. No previous application for the relief sought herein has been made to this or any court or judge thereof.



WHEREFORE, it is respectfully requested that this Court enter an Order that:

- (i) establishes September 30, 2013 as the Bar Date for presentment of all claims other than claims for administrative expenses; and
- (ii) provides for such other and further relief as this Court may deem just and proper;

Dated: New York, New York

July 8, 2013

JOHN PEARSON KELLY  
Attorney for Benjamin M. Lawskey,  
Superintendent of Financial Services of the  
State of New York as Liquidator of  
Centennial Insurance Company

By:

Melvin Browning  
Melvin Browning  
New York Liquidation Bureau  
110 William Street, 15<sup>th</sup> Floor  
New York, NY 10038

Index No. 402424

Year 2010

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

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In the Matter of

the Liquidation of

CENTENNIAL INSURANCE COMPANY.

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**ORDER TO SHOW CAUSE AND AFFIRMATION**

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**JOHN PEARSON KELLY**

Attorney for Superintendent of Financial Services of the State of New York as Liquidator

*Office and Post Office Address, Telephone*

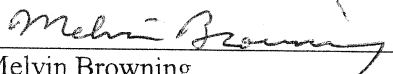
New York Liquidation Bureau  
110 William Street  
New York, NY 10038  
(212) 341-6755  
Fax (212) 608-3398

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**ATTORNEY CERTIFICATION**

The undersigned, an attorney admitted to practice in the courts of New York State, certifies that, upon information, belief and reasonable inquiry, the contentions in the above referenced document(s) are not frivolous.

Dated: July 8, 2013  
New York, New York

  
Melvin Browning

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☐ NOTICE OF ENTRY

that the within is a (*certified*) true copy of a  
duly entered in the office of the clerk of the within named court on the      day of      20

☐ NOTICE OF SETTLEMENT

that an order  
settlement to the HON.

of which the within is a true copy will be presented for  
one of the judges of the within named court, at  
20      at

Dated:

, on

Yours, etc.

**JOHN PEARSON KELLY**

Attorney for Superintendent of Financial Services  
of the State of New York as Liquidator

*Office and Post Office Address, Telephone*

New York Liquidation Bureau  
110 William Street  
New York, NY 10038  
(212) 341-6755  
Fax (212) 608-3398