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EXHIBIT MOTION OFFICE

APPROVED
FOR THE PAYMENT
OF MOTION FEE
ONLY

At IAS Part 15 of the Supreme Court
of the State of New York, County of
New York, at the Courthouse,
80 Centre Street, New York, New
York, on the 30 day of
October, 2013.

13M26442

P R E S E N T:

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

-----X

In the Matter of

Index No.: 402424/10

the Liquidation of

ORDER TO SHOW CAUSE

CENTENNIAL INSURANCE COMPANY.

-----X

Based upon the verified petition ("Verified Petition") of Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent of Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York, as liquidator ("Liquidator") of Centennial Insurance Company ("Centennial"), duly verified the 29th day of October, 2013, and exhibit attached thereto, upon all other papers previously submitted and all proceedings heretofore had herein, and it appearing that the relief sought should be granted;

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

LET all claimants and all other 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, in the County, City and State of New York, on the 17 day of Dec, 2013 ("Return Date") at 11 o'clock A.m., 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"),

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inter alia: (i) approving the Liquidator's Report on the Status of the Liquidation of Centennial and Request for Authority to Distribute Assets, and the financial transactions delineated therein; (ii) authorizing the continued payment of administrative expenses; (iii) authorizing the Liquidator to distribute Centennial's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Centennial with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (iv) 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 method of notice specified herein to be the best notice practicable, it is hereby

ORDERED, that notice of the Verified Petition and this Order to Show Cause shall be substantially in the form attached hereto and service shall be made to Centennial's claimants and all other interested parties by: (i) posting on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org> at least 15 days prior to the Return Date; and (ii) publishing such notice in *Business Insurance* or another publication of national circulation, such publication to occur in two consecutive publications, commencing as soon as practical in light of the bi-weekly publication schedule of *Business Insurance* or such other publication; 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 Verified Petition 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 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: General Counsel

and by submitting copies of 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, in the County, City and State of New York, seven days before 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 Verified Petition 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

**IN THE MATTER OF THE LIQUIDATION OF
CENTENNIAL INSURANCE COMPANY
Supreme Court County of New York
Index No.: 402424/10**

NOTICE

Pursuant to an order of the Supreme Court of the State of New York, County of New York ("Court"), entered on April 27, 2011 ("Liquidation Order"), the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of Centennial Insurance Company ("Centennial") and, as such, has been directed to take possession of Centennial's property, and liquidate its business and affairs pursuant to Article 74 of the New York Insurance Law ("Insurance Law"). The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Centennial. The Liquidator has, pursuant to Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent of Financial Services ("Special Deputy"), as his agent to liquidate the business of Centennial. The Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038. The Liquidator has submitted to the Court a verified petition ("Verified Petition") seeking an order: (i) approving the Liquidator's Report on the Status of the Liquidation of Centennial and Request for Authority to Distribute Assets, and the financial transactions delineated therein; (ii) authorizing the continued payment of administrative expenses; (iii) authorizing the Liquidator to distribute Centennial's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Centennial with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; and (iv) providing for such other and further relief as this Court may deem just and proper.

A hearing is scheduled on the Verified Petition on the ____ day of _____, 2013, at ____:____ a.m., before the Honorable Eileen A. Rakower, JSC, New York Supreme Court at the Courthouse, IAS Part 15, 80 Centre Street, Room _____, in the County, City and State of New York, 10013. If you wish to object to the relief sought, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator and Clerk of the Court, at least seven days prior to the hearing. 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: General Counsel

The Verified Petition and Report are available for inspection at the above address. In the event of any discrepancy between this notice and the documents submitted to Court, the documents control.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor and Ancillary Operations Division, at (212) 341-6665.

Dated: , 2013

Benjamin M. Lawskey
Superintendent of Financial Services of the
State of New York as Liquidator of
Centennial Insurance Company

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

-----X

In the Matter of

the Liquidation of

Index No.: 402424/10

VERIFIED PETITION

CENTENNIAL INSURANCE COMPANY.

-----X

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

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York (“Superintendent”) as liquidator (“Liquidator”) of Centennial Insurance Company (“Centennial”), has appointed agents to carry out, through the New York Liquidation Bureau (“NYLB”), the responsibilities of the Liquidator. The Liquidator, by Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent of the Liquidator, respectfully makes the following petition upon information and belief:

1. On April 27, 2011, this Court issued an order (“Liquidation Order”) appointing the then-Superintendent of Insurance of the State of New York, and his successors in office, as Liquidator of Centennial and commencing this liquidation proceeding (“Liquidation Proceeding”). See Exhibit A of the Liquidator’s Report on the Status of the Liquidation of Centennial and Request for Authority to Distribute Assets (“Report”) attached hereto as Exhibit 1. The Superintendent has now succeeded the Superintendent of Insurance of the State of New York as Liquidator of Centennial.

2. The Liquidation Order and New York Insurance Law (“Insurance Law”) Article 74 charged the Liquidator with, among other things, the responsibility for:

a. Identifying Centennial’s policyholders and claimants;

- b. Notifying Centennial's creditors, claimants and other interested parties to present their claims;
- c. Marshaling Centennial's assets;
- d. Adjudicating the claims presented and establishing the total amount of Centennial's liabilities;
- e. Distributing Centennial's assets to creditors with allowed claims; and
- f. Otherwise liquidating Centennial's business pursuant to Article 74 of the Insurance Law.

3. The Report sets forth the results of the Liquidator's activities conducted in accordance with the Liquidation Order and Insurance Law Article 74 and details the results of the Liquidator's efforts to identify Centennial's creditors, adjudicate claims, and marshal Centennial's assets. In the Report, the Liquidator seeks approval to distribute Centennial's assets consistent with this Court's orders and the priorities of Insurance Law Section 7434.

4. This Verified Petition seeks the issuance of an order ("Order") that: (i) approves the Report and the financial transactions delineated therein; (ii) authorizes the continued payment of administrative expenses; (iii) authorizes the Liquidator to distribute Centennial's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Centennial with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; and (iv) provides for such other and further relief as this Court may deem just and proper.

5. The Liquidator also requests that this Court issue the accompanying Order to Show Cause approving: (i) a return date ("Return Date") not more than 30 days after the date of issuance of the Order to Show Cause for a hearing ("Hearing") on the Verified Petition to be held before this Court; (ii) the form of notice to be given to Centennial's claimants and all other

interested parties regarding the Verified Petition and the Hearing ("Notice"); and (iii) the method of service of the Notice, *i.e.*, by: (a) posting on the Internet web page maintained by the NYLB at <http://www.nylb.org> at least 15 days prior to the Return Date; and (b) publication in *Business Insurance* or another publication of national circulation, such publication to occur in two consecutive publications, commencing as soon as practical in light of the bi-weekly publication schedule of *Business Insurance* or such other publication; and deeming such service of Notice to be good and sufficient.

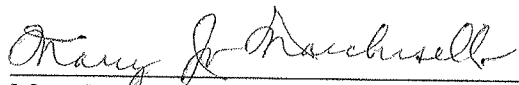
6. No previous application for the relief sought herein has been made to this or any other court or judge thereof.

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

- a) approving the Report and the financial transactions delineated therein;
- b) authorizing the continued payment of administrative expenses;
- c) authorizing the Liquidator to distribute Centennial's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Centennial with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; and
- d) providing for such other and further relief as this Court may deem just and proper.

Dated: New York, New York

October 29, 2013



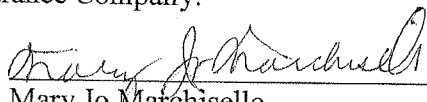
Mary Jo Marchisello
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawsky,
Superintendent of Financial Services of the State
of New York as Liquidator of Centennial
Insurance Company

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Mary Jo Marchisello, being duly sworn, deposes and says:


That she has read the foregoing Verified Petition and that the same is true based upon information and belief as to those matters stated therein. Deponent further says that the sources of her information and the grounds of her belief as to the matters alleged therein are from or were derived from the files of Centennial Insurance Company in the possession of the Liquidator and communications made to deponent by employees of the Liquidator.

That the reason this petition is verified by this deponent rather than by the Superintendent of Financial Services of the State of New York is that deponent is the duly appointed Assistant Special Deputy Superintendent and Agent of the Superintendent of Financial Services of the State of New York as Liquidator of Centennial Insurance Company.



Mary Jo Marchisello
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawskey,
Superintendent of Financial Services of the
State of New York as Liquidator of
Centennial Insurance Company

Sworn to before me this
29th day of October, 2013



Notary Public

LISA LEATH
Notary Public, State of New York
No. 02136014331
Qualified in New York County
Commission Expires October 13, 2014

**REPORT ON THE STATUS OF THE LIQUIDATION OF
CENTENNIAL INSURANCE COMPANY AND REQUEST
FOR AUTHORITY TO DISTRIBUTE ASSETS**

INTRODUCTION

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York as liquidator ("Liquidator") of Centennial Insurance Company ("Centennial") has appointed Michael J. Casey as Acting Special Deputy Superintendent and Agent of the Liquidator and other Agents, to carry out, through the New York Liquidation Bureau ("NYLB"), the responsibilities of the Liquidator. The Liquidator, by Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent ("Assistant Special Deputy"), hereby submits this Liquidator's report on the status of the Centennial liquidation proceeding ("Liquidation Proceeding") and request for authority to distribute assets ("Report").

This Court entered an order ("Liquidation Order") on April 27, 2011 ("Liquidation Order Date"), pursuant to which Centennial was placed into liquidation. The Liquidation Order appointed the Superintendent of Insurance of the State of New York and his successors in office as Liquidator of Centennial. A copy of the Liquidation Order is attached hereto as Exhibit A. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Centennial.

The Liquidation Order and New York Insurance Law ("Insurance Law") Article 74 charged the Liquidator with, among other things, the responsibility for:

- a. Identifying Centennial's policyholders and claimants;
- b. Notifying Centennial's creditors, claimants and other interested parties to present their claims;
- c. Marshaling Centennial's assets;
- d. Adjudicating the claims presented and establishing the total amount of Centennial's liabilities;

- e. Distributing Centennial's assets to creditors with allowed claims; and
- f. Otherwise liquidating Centennial's business pursuant to Insurance Law Article 74.

The Liquidator has been discharging his responsibilities since the Liquidation Order Date. This Report sets forth a history of Centennial, a summary of the Liquidator's activities pursuant to the Liquidation Order and Insurance Law Article 74, the financial status of Centennial and the basis for the Liquidator's recommendations to: (i) approve the Report and the financial transactions delineated herein; (ii) authorize the continued payment of administrative expenses; (iii) authorize the Liquidator to distribute Centennial's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Centennial with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; and (iv) provide for such other and further relief as this Court deems just and proper.

BACKGROUND

Centennial was incorporated on September 5, 1941, in the State of New York to transact the business of fire and marine insurance. Atlantic Mutual Insurance Company wholly owns Atlantic Companies Holding Corporation, which is the immediate parent company and sole shareholder of Centennial. Centennial was licensed to write business in all fifty states, the District of Columbia, Puerto Rico, the United States Virgin Islands and the United Kingdom to provide the types of insurance set forth in the following numbered paragraphs of Insurance Law Section 1113(a):

<u>Paragraph</u>	<u>Type of Insurance</u>
3	Accident & Health
4	Fire
5	Miscellaneous Property
6	Water Damage

7	Burglary and Theft
8	Glass
9	Boiler and Machinery
10	Elevator
11	Animal
12	Collision
13	Personal Injury Liability
14	Property Damage Liability
15	Workers' Compensation and Employer's Liability
16	Fidelity and Surety
17	Credit
19	Motor Vehicle and Aircraft Physical Damage
20	Marine and Inland Marine
21	Marine Protection and Indemnity
26(A)-(D)	Gap
27	Prize Indemnification
28	Service Contract Reimbursement
29	Legal Services

In addition, Centennial was licensed to transact such workers' compensation insurance as may be incident to coverage contemplated under Insurance Law Section 1113(a), paragraphs 20 and 21, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (33 U.S.C. Section 901 et seq.). Centennial was also licensed to write special risk insurance pursuant to Section 6302, as well as multiple lines reinsurance pursuant to Section 4102(c) of the Insurance Law.

The New York State Department of Insurance ("Insurance Department")¹ conducted an examination of Centennial's condition and affairs. In a report dated April 15, 2008, the Insurance Department found that, as of December 31, 2006, Centennial's required minimum surplus of \$35,000,000 was impaired in the amount of \$1,280,573. Subsequent to the examination date, Centennial engaged in a number of financial transactions and amended its licenses to improve its financial condition. Even taking these measures into consideration, Centennial remained financially impaired as of the examination date. In addition, Centennial

¹ The Department of Financial Services of the State of New York has succeeded the Insurance Department.

filed its 2009 Annual Statement with the Insurance Department indicating an insolvency of \$2,029,752.

On May 20, 2010, Centennial's board of directors adopted a resolution that consented to the entry of an order of rehabilitation. On September 16, 2010, Centennial was placed into rehabilitation and the then-Superintendent and his successors in office were appointed Rehabilitator. After reviewing Centennial's assets and liabilities, along with the causes and conditions that lead to Centennial's rehabilitation, the Rehabilitator concluded that further attempts to rehabilitate Centennial would be futile. Centennial was subsequently placed into liquidation. *See Exhibit A.*

FINANCIAL CONDITION OF CENTENNIAL
AS OF THE LIQUIDATION ORDER DATE

The Liquidator conducted a review of Centennial's financial position as of the Liquidation Order Date and found that Centennial had assets totaling \$226,101,720 and liabilities totaling \$225,180,094, for a surplus of \$921,626.

A. Assets

As of the Liquidation Order Date, Centennial had total cash and invested assets in the amount of \$34,327,951, which consisted of cash and equivalents in the amount of \$6,368,140, bonds with a fair market value of \$25,305,709, common stock with a fair market value of \$27,826 and investment in a subsidiary with a fair market value of \$2,626,276. Centennial's other assets consisted of \$2,865,981 in reinsurance recoverable on paid losses and paid loss adjustment expenses ("LAE") and \$160,066,352 in reinsurance recoverable on unpaid losses and unpaid LAE, \$410,013 in accrued investment income, \$20 in receivables from affiliates, \$1,903,760 in miscellaneous assets (e.g. fixtures, large deductibles and other receivables), \$25,334,230 in statutory deposits held in this or other states and \$1,193,413 in other restricted

assets predominantly related to reinsurance balances.

B. Liabilities

As of the Liquidation Order Date, Centennial's records reflected total liabilities in the amount of \$225,180,094, which consisted of \$3,301,052 in secured creditors' claims, \$914,607 in administrative claims, \$69,134,200 in loss reserves, \$20,748,984 reported as LAE, \$579,038 in unearned premium claims, \$44,432,335 in incurred but not reported ("IBNR") claims, \$3,731,019 reported as federal government claims, \$145,079 in state and other local government claims, and \$82,193,780 in reinsurance liabilities.

Centennial's comparative statement of assets, the statement of liabilities and the statement of changes in cash and invested assets for the period between the Liquidation Order Date and June 30, 2013 (collectively, "Financial Statements") are attached hereto as Exhibit B.

LIQUIDATION PROCEEDING

A. Presentment of Claims

Pursuant to the Liquidation Order, within four weeks of its entry, the Liquidator published notice of Centennial's Liquidation Proceeding in *Business Insurance*, once a week for two consecutive weeks, advising of the Liquidator's obligations as identified in the Liquidation Order. The Liquidator also published notice of the Liquidation Proceeding on the website maintained by the NYLB.

All persons having filed proofs of claim within the statutorily mandated period, pursuant to Insurance Law Section 7432, and all persons, pursuant to Insurance Law Section 7433(b)(2), appearing on Centennial's books and records as policyholders or claimants ("Identified Claimants"), are deemed to have a timely-filed proof of claim in this Liquidation Proceeding. For an Identified Claimant, being on the books and records secures the right to submit an actual

claim in this Liquidation Proceeding and, if and when such actual claim is adjudicated and allowed, possibly receive payment on that claim under Insurance Law Article 74.

B. Adjudication of Claims

Pursuant to the Liquidation Order, 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 a claim that has been approved by a liquidation court and the claimant is therefore allowed to share in the distribution of assets pursuant to Insurance Law Section 7434. A “disallowed” claim is a claim 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.

C. Description of Classes of Creditors

The priority of distribution of assets from a liquidating insurer is set forth by 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. Section 7434(a) (1) provides in pertinent part:

Upon the recommendation of the Superintendent, and under the direction of the court, distribution payments shall be made in a manner that will assure the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims....No claim by a shareholder, policyholder or other creditor shall be permitted to circumvent the priority classes through the use of equitable remedies.

The classes of claims, as provided for in the prioritization scheme established by Insurance Law Section 7434, are as follows:

- (i) Class one. Claims with respect to the actual and necessary expenses of administration incurred by a liquidator or rehabilitator.
- (ii) 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.
- (iii) Class three. Claims of the federal government, except those under Class two.
- (iv) Class four. Claims for wages owing to employees of an insurer against whom an Article 74 proceeding is commenced and claims for unemployment insurance contributions required by Article 18 of the New York Labor Law.
- (v) Class five. Claims of state and local governments, except those under Class two.
- (vi) Class six. Claims of general creditors, including but not limited to claims arising under reinsurance contracts.
- (vii) Class seven. Claims filed late or any other claims other than claims stated in Class eight or Class nine below.
- (viii) Class eight. Claims for advanced or borrowed funds made pursuant to Insurance Law Section 1307.
- (ix) Class nine. Claims of shareholders or other owners in their capacity as shareholders.

D. Current Status of Claims Presented

As described above, the Liquidator adjudicates those claims that are presented to him. In analyzing such claims, the Liquidator determines the class of claim and whether he concludes that the claim may be eligible for payment out of various funds maintained by the states for the payment of claims against insolvent insurance carriers. In general, the funds are state-administered reserves of money, provided by insurers operating in that state, from which claims against insolvent insurers are paid up to a statutory cap. Such funds exist to ameliorate the impact of an insurer's insolvency. Those funds then have a separate claim against the insolvent insurer's estate in the amount of the claims paid by the funds. The funds are paid the same rate of distributions as other Class two claimants and are rarely paid the full value of their claims.

New York maintains three security funds: New York property/casualty insurance security fund ("P/C Fund"); the New York public motor vehicle liability security fund ("PMV Fund") and the workers' compensation security fund (the "WC Fund," together with the P/C Fund and the PMV Fund, the "Security Funds"). Similar funds maintained by other states are referred to as "Guaranty Funds". Claims, therefore, generally fall into one of three categories: (a) claims that are payable out of the estate's assets; (b) claims that are eligible for payment out of the Security Funds; and (c) claims that may be eligible for payment out of one or more Guaranty Funds. All of the claims paid by the P/C Fund, for example, are aggregated and the P/C Fund has a subrogation claim² against the insolvent insurer. In this case, the P/C Fund may pay hundreds of individual claims on Centennial's policies, which will result in a single claim of the P/C Fund against Centennial's assets.

Based upon proofs of claim and/or claims actually submitted to the Liquidator, the following chart shows the approximate number of Identified Claimants and claimants who filed

² See N.Y. Ins. L. §7609(a) and N.Y. Workers' Comp. L. §109-c.

proofs of claim, and the submitted, adjudicated and yet to be adjudicated claims in the Liquidation Proceeding:

	As of the Liquidation Order Date (unless noted otherwise)	Current (numbers are cumulative, unless noted otherwise)
Identified Claimants and claimants who actually submitted proofs of claim	Unknown ³ (as of the dates specified by statute)	N/A
Claims presented to the Liquidator	Unknown (consisting of claims that had been asserted prior to the Liquidation Order Date)	274
Class 1	N/A	N/A
Class 2	N/A	174
Non-Security Fund eligible claims	N/A	63
Claims of New York Security Funds	N/A	2
Claims of State Guaranty Funds	N/A	46
Class 2 Void Claims ⁴	N/A	6
Class 2 Contingent Claims ⁵	N/A	56
Class 2 Withdrawn Claims	N/A	1
Class 3	N/A	1
Class 4	N/A	0
Class 5	N/A	32
Class 6	N/A	67
Class 7	N/A	0
Class 8	N/A	0
Class 9	N/A	0
Claims adjudicated by the Liquidator	N/A	5
Claims disallowed or recommended for disallowance by the Liquidator	N/A	1
Claims allowed or recommended for allowance by the Liquidator	N/A	4
Class 1	N/A	0
Class 2	N/A	0

³ Centennial's records did not permit this determination.

⁴ Class 2 void claims are duplicate class 2 claims submitted by claimants.

⁵ Class 2 contingent claims are the contingent claims filed by major policyholders of Centennial. The relevant policies covered long-tail claims under which, to date, no actual losses have been reported.

Non-Security Fund eligible claims	N/A	0
Claim of Security Funds and Guaranty Funds	N/A	0
Class 3	N/A	0
Class 4	N/A	0
Class 5	N/A	0
Class 6	N/A	0
Class 7	N/A	0
Class 8	N/A	0
Class 9	N/A	0

1. Value and Payment of Claims

a) Class One Claims

From the Liquidation Order Date through June 30, 2013, the Liquidator has incurred and paid administrative expenses in the amount of \$4,925,931.

b) Class Two Claims

i. Total Value of all Class Two Claims

All of the Class two claims that have been filed in the Liquidation Proceeding as of June 30, 2013, amount to \$181,141,523.

ii. Non-Security Fund Eligible Claims of Policyholders

The Class two claims that have been filed in the Liquidation Proceeding as of June 30, 2013, that are not eligible for payment from the Security Funds and/or the Guaranty Funds, amount to \$52,373,203.

iii. Claims of Security Fund

The Security Funds have a claim against Centennial, as of June 30, 2013, in the amount of \$56,303,797. This includes the Security Fund's claim for Loss, LAE & Administrative expenses that has not yet been allowed in the amount of \$6,353,516.

iv. Guaranty Funds Claims

As of June 30, 2013, there are 46 claims, including LAE, of Guaranty Funds, with a net claim in the amount of \$66,609,846. This amount takes into account an offset of \$5,172,124 due to the release of statutory deposits and recoveries retained by the Guaranty Funds.

v. IBNR Claims

As of June 30, 2013, there are IBNR claims in the amount of \$5,854,677.

c) The Remaining Classes of Claims

There are 1 Class three, 32 Class five and 67 Class six claims presented in the Liquidation Proceeding in the amounts of \$6,839,598, \$83,918 and \$3,161,682, respectively. Based on present information Centennial has insufficient assets to pay Class two claims in full. Therefore, to maximize the assets of the estate, the remaining classes of claims will not be further adjudicated unless it appears that the estate will have sufficient assets to pay Class two claims in full.

E. Financial Condition of Centennial as of June 30, 2013

As of June 30, 2013, Centennial had total assets of \$56,736,128 and total liabilities of \$193,890,716 leaving Centennial insolvent in the amount of \$137,154,588. Centennial's Financial Statements reflect the transactions described herein. *See Exhibit B.*

1. Assets

As of June 30, 2013, Centennial had total assets of \$56,736,128, which consisted of cash and cash equivalents in the amount of \$2,091,838, bonds with a fair market value of \$27,983,967, common stock with a fair market value of \$27,826 and investment in a subsidiary with a fair market value of \$2,717,242. Centennial's other assets consisted of \$261,325 in accrued investment income, \$736 in receivables from affiliates, \$1,030,812 in miscellaneous assets (*e.g.*, fixtures, large deductibles and other receivables), \$20,653,846 in statutory deposits

held by other states and \$1,968,536 in other restricted assets predominantly related to reinsurance balances.

2. Liabilities

As of June 30, 2013, Centennial's total liabilities were \$193,890,716, consisting of \$1,962,847 in secured creditors' claims, \$701,148 in Class one liabilities for operating and administrative expenses (which includes expenses incurred in connection with insuring and the upkeep of real property acquired by Centennial prior to liquidation pursuant to collateral agreements); \$181,141,523 in Class two liabilities, *i.e.*, policy-related claims; \$6,839,598 in Class three liabilities, *i.e.*, federal government claims, \$83,918 in Class five liabilities, *i.e.*, state and local government claims; and \$3,161,682 in Class six liabilities (*i.e.*, general creditor unsecured claims of \$725,437 and reinsurance related unsecured claims of \$2,436,245). *See* Exhibit B.

3. Collection of Assets

(a) Cash Receipts

As of June 30, 2013, the Liquidator collected assets in the amount of \$7,273,334, consisting of \$2,285,334 in investment income, \$60,893 in reinsurance recoveries, \$3,050,880 in salvage and subrogation recoveries, \$1,013 in premiums, \$792,823 in workers' compensation claim reimbursements from Guaranty Funds for prepaid indemnity and medical payments prior to the receivership, \$108,885 in large deductible recoveries, \$433,824 in second injury special fund recoveries, \$48,518 from sale of furniture and fixtures and \$491,164 in miscellaneous receipts.

(b) Receipts from Statutory Deposits

As of June 30, 2013, the Liquidator received \$1,388,269 from the statutory deposits held by other states.

4. Disbursement of Assets

As of June 30, 2013, the Liquidator has distributed \$4,925,931 of Centennial's assets.

(a) Administrative Expenses

As of June 30, 2013, the Liquidator has incurred and paid \$4,925,931 in administrative expenses, which include: \$38,710 for rehabilitation expenses; \$247,601 for LAE; \$1,552,781 for the salaries of the Liquidator's staff; \$825,829 for employee relations and welfare (e.g., payroll taxes, health insurance and pension contributions); \$397,150 for rent and related expenses; \$1,092,139 for general and administrative expenses (e.g., IT services, office expenses and insurance); \$183,467 for professional fees (e.g., accountants, legal and other consultants); \$422,866 for salvage and subrogation fees; and \$165,388 for other miscellaneous expenses.

(b) Segregated Accounts

The Liquidator has transferred a total of \$794,258 of Centennial's assets to a segregated account for the payment of secured claims.

(c) Other Cash Disbursements

The Liquidator has reconciled and transferred to ACE, Inc. ("ACE") \$1,298,995 of premiums held in a special Lockbox account that was the property of ACE under a pre-receivership fronting agreement between Centennial and ACE, for which Centennial received a fronting commission.

5. Payments to Claimants

No distribution has yet been made to any class of claimant other than Class one. The Liquidator has reserved for the Class two claims which have yet to be adjudicated, as well as for projected administrative expenses. This reserve is necessary to ensure that at the time of any distribution, there will be sufficient assets to pay all Class two creditors in parity and the administrative expenses incurred as of that time.

RELIEF SOUGHT

The Liquidator submits this Report to describe to this Court the status of the Centennial Liquidation Proceeding and receive authorization to distribute assets of the estate. In support of the Liquidator's recommendations stated herein, the Liquidator has submitted to this Court the Verified Petition of the Assistant Special Deputy. Based on the facts set forth in the Verified Petition and herein, the Liquidator requests in the Verified Petition that this Court issue an order which:

- a. Approves the Report and the financial transactions delineated herein;
- b. Authorizes the continued payment of administrative expenses;
- c. Authorizes the Liquidator to distribute Centennial's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Centennial with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; and
- d. Provides for such other and further relief as this Court deems just and proper.

Dated: New York, New York

October __, 2013



Mary Jo Marchisello
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawskey,
Superintendent of Financial Services of the
State of New York as Liquidator of
Centennial Insurance Company

Exhibit A

At 1AS Part 15 of the Supreme
Court of the State of New York,
County of New York, at the
Courthouse, 80 Centre Street, New
York, New York, on the 20 day of
APRIL, 2011.

P R E S E N T:

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

In the Matter of

Index No. 402424/10

the Rehabilitation of

ORDER OF LIQUIDATION

ATLANTIC MUTUAL INSURANCE COMPANY

In the Matter of

the Rehabilitation of

CENTENNIAL INSURANCE COMPANY

FILED

APR 27 2011

NEW YORK
CLERK'S OFFICE

ORDER OF LIQUIDATION OF CENTENNIAL INSURANCE COMPANY

Petitioner, James J. Wrynn, Superintendent of Insurance of the State of New York ("Superintendent"), as rehabilitator ("Rehabilitator") of Centennial Insurance Company ("Centennial") and Atlantic Mutual Insurance Company (collectively, the "Companies"), having moved this Court by order to show cause ("Order to Show Cause") for orders to convert the rehabilitation proceeding of the Companies to a liquidation proceeding, and upon reading and filing the petition of the Superintendent, duly verified the 8th day of March, 2011, the affidavit of Peter A. Giacone, Chief Financial Officer of the New York Liquidation Bureau, sworn to March 2, 2011, and the exhibits attached thereto, this Court finds that:

1. Centennial was placed into rehabilitation and the Superintendent, and his successors in office, were appointed Rehabilitator by order of this Court ("Rehabilitation Order") entered September 16, 2010;

2. The Rehabilitation Order found that Centennial was insolvent;
3. The Rehabilitation Order found that the Board of Directors consented to the entry of the Rehabilitation Order;
4. Centennial remains insolvent;
5. Further efforts to rehabilitate Centennial would be futile;
6. Centennial is subject to the New York Insurance Law ("Insurance Law") and, particularly, to Article 74 thereof; and
7. It is in the best interest of all persons concerned that the Superintendent be vested with title to all Centennial's property, contracts and rights of action and directed to liquidate its business and affairs;

NOW, on motion of the Honorable Eric T. Schneiderman, Attorney General of the State of New York, it is hereby

ORDERED as follows:

1. The relief requested in the petition for an order of liquidation is granted;
2. The rehabilitation proceeding of Centennial is converted to a liquidation proceeding;
3. The Superintendent, and his successors in office, are appointed liquidator of Centennial ("Liquidator") and are: (i) vested with all powers and authority expressed or implied under Insurance Law Article 74, in addition to the powers and authority set forth in this Order; (ii) vested with title to Centennial's property, contracts, rights of action and all its books and records, wherever located, as of the date of entry of this Order; and (iii) directed to liquidate Centennial's business and affairs in accordance with Insurance Law Article 74;
4. The Liquidator may deal with the property and business of Centennial in its name or in the name of the Liquidator;
5. The officers, directors, shareholders, members, depositories, trustees, policyholders, agents, servants, employees, attorneys, managers and affiliates of Centennial and all other persons other than the Liquidator and his agents are enjoined and restrained from: (i) wasting or permitting to be done any act or thing that might waste Centennial's property; (ii) transacting the business of Centennial or disposing of Centennial's property, except as authorized by the

Liquidator; (iii) interfering with the Liquidator in the possession, control and management of Centennial's property or in the discharge of his duties; and (iv) disclosing the name, address or contact information of Centennial's policyholders, or any other information that is proprietary to Centennial or not in the public domain, except as authorized by the Liquidator;

6. All persons are enjoined and restrained from commencing or prosecuting any actions or proceedings against Centennial, the Liquidator or the New York Liquidation Bureau, their present or former employees, attorneys or agents with respect to any claims against Centennial;
7. All persons are enjoined and restrained from obtaining preferences, judgments, attachments or other liens, or making any levy against Centennial's assets or any part thereof;
8. All parties to actions, lawsuits, and special or other proceedings in which Centennial is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any discovery, court proceedings or other litigation tasks or procedures, including, but not limited to, conferences, trials, applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments for a period of 180 days from the date of entry of this Order;
9. All persons who have first party or New York Comprehensive Automobile Insurance Reparation Act (No Fault) policyholder loss claims against Centennial are enjoined and restrained from presenting and filing claims with the Liquidator for a period of 90 days from the date of entry of this Order;
10. The Liquidator is authorized, permitted and allowed to sell, assign or transfer any and all stocks, bonds or securities, and any real or other property of Centennial at market price or better, or if there is no market price, at the best price obtainable at private sale at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of Centennial, and he is further authorized to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers and assignments;
11. The Liquidator is vested with all of Centennial's rights under all its contracts and agreements not previously terminated, including all leases, tax sharing agreements and employment contracts of Centennial, however described, unless the Liquidator expressly terminates any such contract or agreement, in which case all liability under such contract or agreement shall cease and be fixed as of the date of termination;

12. All existing insurance policies of Centennial shall terminate within 45 days of the entry of this Order;
13. Centennial and its officers, directors, shareholders, members, depositories, trustees, policyholders, agents, servants, employees, attorneys, managers and affiliates, and all firms, corporations, associations and other persons or entities having any property and/or information, including, but not limited to, business records, insurance policies, claims files (electronic or paper), software programs, bank records and/or any tangible or intangible items of value, belonging to or relating to Centennial, shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator or his designees;
14. Any person or entity providing claims processing services, data processing services, electronic records retention services or other information technology services to Centennial shall maintain and preserve all information in its possession relating in any way to Centennial, wherever located, including, but not limited to, all documents, data, electronic files and records, computer equipment (*i.e.*, servers and printers), software programs and software licenses owned or leased by Centennial and are directed, upon the Liquidator's request, to promptly submit all such information to the Liquidator or his designees;
15. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control of any of Centennial's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (i) turn over custody and control of such funds, accounts or assets to the Liquidator; (ii) transfer title of such funds, accounts or assets to the Liquidator; (iii) change the name of such accounts to the name of the Liquidator; (iv) withdraw funds from such bank, savings and loan association or other financial institution; or (v) take any lesser action necessary for the proper conduct of the liquidation proceeding;
16. In accordance with Insurance Law Section 7432(b), all claims against Centennial must be presented to the Liquidator within four months of the date of entry of this Order;
17. Any distribution of assets shall be in accordance with the priorities set forth in Insurance Law Article 74;
18. Immunity is extended to the Superintendent in his capacity as Liquidator and his successors in office and their agents and employees and such immunity is extended to them for any cause of action of any nature against them, individually or jointly, for any action or omission by any one or more of them when acting in good faith, in accordance with this Order, or in the performance of their duties pursuant to Insurance Law Article 74;

19. The Liquidator may at any time make further application to this Court for such further and different relief as he sees fit;
20. The Liquidator shall provide notice of this Order to all creditors, claimants and other interested persons by: (i) posting this Order on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org> within 30 days after the entry of this Order; and (ii) publication of notice of this Order in *Business Insurance* once a week in two consecutive publication weeks, commencing within four weeks of entry of this Order, in a form substantially similar to the one attached hereto;
21. Such notice shall inform all creditors, claimants and other interested persons that this Order has been entered;
22. The notice prescribed in decretal paragraph 20 hereof is sufficient notice to all persons interested in Centennial;
23. This Court shall retain jurisdiction over this matter for all purposes;
24. The caption to this proceeding is hereby amended as follows:

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

-----X
In the Matter of

the Liquidation of

ATLANTIC MUTUAL INSURANCE COMPANY
-----X

In the Matter of

the Liquidation of

CENTENNIAL INSURANCE COMPANY.
-----X

FILED

APR 27 2011

NEW YORK
COUNTY CLERK'S OFFICE

25. All further papers in this proceeding shall bear the above amended caption.

ENTER


JOHN WILSON A. MARKOVITZ

Exhibit B

CENTENNIAL INSURANCE COMPANY
STATEMENT OF ASSETS

	June 30, 2013	April 28, 2011
Unrestricted Assets		
Cash-Unrestricted	\$ 2,091,838	\$ 6,368,140
Short-Term Investments	-	-
Certificate of Deposits	-	-
Bonds	27,983,967	25,305,709
Common Stocks	<u>27,826</u>	<u>27,826</u>
Total Cash and Invested Assets	\$ 30,103,631	\$ 31,701,675
Investments in Ltd Partnership	-	-
Investment in Subsidiary	2,717,242	2,626,276
Reinsurance Recoverables on Paid Losses and LAE	3,088,002	3,693,070
Less: Allowance for Uncollectible Reinsurance Recoverable	<u>(3,088,002)</u>	<u>(827,089)</u>
Net Reinsurance Recoverable on Paid Losses and LAE	-	2,865,981
Reinsurance Recoverables on Unpaid Losses and Unpaid LAE	26,220,130	\$ 160,066,352
Less: Allowance for Uncollectible Reinsurance Recoverable	<u>\$ (26,220,130)</u>	<u>-</u>
Net Reinsurance Recoverable on Unpaid Losses and LAE	-	160,066,352
Receivable from Affiliates	736	20
Accrued Investment Income	261,325	410,013
Other Assets	<u>1,030,812</u>	<u>1,903,760</u>
Total Unrestricted Assets	34,113,746	199,574,077
Restricted Assets:		
Restricted - Statutory Deposits in This or Other States	20,653,846	25,334,230
Restricted - Other	<u>1,968,536</u>	<u>1,193,413</u>
Total Restricted Assets	22,622,382	26,527,643
Total Assets	<u>\$ 56,736,128</u>	<u>\$ 226,101,720</u>

**CENTENNIAL INSURANCE COMPANY
STATEMENT OF LIABILITIES**

	June 30, 2013	April 28, 2011
Secured Claims	\$ 1,962,847	\$ 3,301,052
Class I - Administrative Claims:	701,148	914,607
Class II - Claims and Related Costs:		
Guaranty Fund Claims:		
Allowed Claims:		
Administrative Claims Expenses	\$ 95,624	-
Loss Adjustment Expenses (LAE)	775,898	-
Loss Claims	814,522	-
Unearned and Advance Premium Claims	-	-
Total Allowed Claims	1,686,044	-
Less Advance Dividends	(5,172,124)	-
Total Allowed Claims	(3,486,080)	-
Non - Allowed Claims:		
Administrative Claims Expenses	24,352,661	-
Loss Adjustment Expenses (LAE)	10,895,725	-
Loss Claim Reserves	91,146,337	-
Unearned and Advance Premium Claims	5,000	-
Total Non-Allowed Claims	126,399,723	-
Total Guaranty Fund Claims:	122,913,643	-
Creditor Claims:		
Allowed Claims:		
Loss Claims	-	-
Unearned and Advance Premium Claims	-	-
Total Allowed Claims	-	-
Less Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims:		
Loss Claims Reserves	52,373,203	\$ 69,134,200
Unearned and Advance Premium Claims	-	579,038
Loss Adjustment Expenses (LAE)	-	20,748,984
Total Non-Allowed Claims	52,373,203	90,462,222
Total Creditor Claims	52,373,203	90,462,222
IBNR	5,854,677	44,432,335
Total Class II Claims and Related Costs:	181,141,523	134,894,557
Class III - Federal Government Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	\$ 6,839,598	\$ 3,731,019
Total Class III Claims	\$ 6,839,598	\$ 3,731,019
Class IV - Employee Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class IV Claims	-	-

CENTENNIAL INSURANCE COMPANY
STATEMENT OF LIABILITIES (Continued)

	June 30, 2013	April 28, 2011
Class V - State and Local Government Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	\$ 83,918	\$ 145,079
Total Class V Claims	\$ 83,918	\$ 145,079
Class VI - General Creditors:		
Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	725,437	-
Total General Unsecured Creditor Claims (Other than Reinsurance Related)	725,437	-
Reinsurance Related Unsecured Claims	2,436,245	82,193,780
Less: Dividends	-	-
Total Reinsurance Related Unsecured Claims	\$ 2,436,245	\$ 82,193,780
Total Class VI Claims	3,161,682	82,193,780
Class VII - Late Filed Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class VII Claims	-	-
Class VIII - Section 1307 (Shareholder) Loans:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class VIII Claims	-	-
Class IX - Share Holder Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class IX Claims	-	-
Other Liabilities	-	-
Total Liabilities	193,890,716	225,180,094
TOTAL DEFICIT	\$ (137,154,588)	\$ 921,626

CENTENNIAL INSURANCE COMPANY
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS
FROM APRIL 28, 2011 TO JUNE 30, 2013

		Inception to June 30, 2013
Receipts:		
Investment Income		2,285,334
Reinsurance Recovered		60,893
Premiums Collected		1,013
Salvage and Subrogation		3,050,880
Claim Refunds		792,823
Large Deductible		108,885
Second Injury Claim Refunds		433,824
Release from Statutory Deposits		1,388,269
Sale of Furniture & Fixtures		48,518
Miscellaneous		491,164
Total Receipts		8,661,603
Disbursements:		
Rehabilitation Expenses		38,710
Transfer to Segregated Accounts		794,258
Transfer to ACE		1,298,995
Loss Adjustment Expense		247,601
Salvage and Subrogation Fees		422,866
Salaries		1,552,781
Employee Relations & Welfare		825,829
Rent and Related Expenses		397,150
Professional Fees		183,467
General and Administrative Expenses		1,092,139
Other Expense		165,388
Total Disbursements		7,019,184
Net Increase (Decrease) of Receipts Over Disbursements		1,642,419
Cash and Invested Assets (Unrestricted) - April 28, 2011		34,327,950
Unrealized Gain / (Loss) on Investments		(3,149,496)
Cash and Invested Assets (Unrestricted) - June 30, 2013	\$	32,820,873

Index No.: 402424/10

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

In the Matter of

the Liquidation of

CENTENNIAL INSURANCE COMPANY.

**ORDER TO SHOW CAUSE AND VERIFIED PETITION
(Report)**

JOHN PEARSON KELLY

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

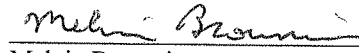
Office and Post Office Address, Telephone

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

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: October 29, 2013
New York, New York


Melvin Browning

[] 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
for settlement to the HON.

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

Dated:

, on

Yours, etc.

JOHN PEARSON KELLY

Attorney for the 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