

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

-----X  
In the Matter of

Index No.: 405444/07

the Liquidation of

**VERIFIED PETITION**

COLONIAL INDEMNITY INSURANCE COMPANY.  
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Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York as liquidator ("Liquidator") of Colonial Indemnity Insurance Company ("Colonial"), has appointed agents to carry out, through the New York Liquidation Bureau ("NYLB"), the responsibilities of the Liquidator. The Liquidator, by Scott D. Fischer, Acting Special Deputy Superintendent and agent of the Liquidator, respectfully makes the following petition upon information and belief:

1. On September 6, 2007, this Court issued an order appointing the then-Superintendent of Insurance of the State of New York and his successors in office as rehabilitator ("Rehabilitator") of Colonial. On July 7, 2009, Colonial's rehabilitation proceeding was converted to this liquidation proceeding ("Liquidation Proceeding") and the Rehabilitator was appointed Liquidator by order of this Court ("Liquidation Order"). The Liquidator's report on the status of and request to close the Liquidation Proceeding of Colonial ("Closing Report") is attached hereto as Exhibit 2. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Colonial.

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 Colonial's policyholders, creditors and other interested parties;
- b. Notifying Colonial's policyholders, creditors, and other interested parties to present their claims;

- c. Marshaling Colonial's assets;
- d. Adjudicating the claims presented and establishing the total amount of Colonial's liabilities;
- e. Distributing Colonial's assets to creditors with allowed claims; and
- f. Otherwise liquidating Colonial Indemnity's business pursuant to Insurance Law Article 74.

3. On or about December 16, 2011, the Liquidator submitted a report and other papers ("2011 Report"), which updated this Court on the status of the Liquidation Proceeding and recommended that this Court (i) establish March 31, 2012 as the bar date ("Bar Date") for presentment of all claims other than claims for administrative costs and expenses; (ii) authorize and direct the Liquidator to consider only those claims for actual losses arising under policies issued by Colonial that are presented to the Liquidator on or before the Bar Date; (iii) bar and discharge all claims for losses reported after the Bar Date; (iv) authorize the continued payment of administrative costs and expenses; and (v) authorize the Liquidator to distribute Colonial's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Colonial with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available. By order entered March 8, 2012, this Court approved the 2011 Report and the Liquidator's recommendations. Pursuant to the 2011 Report and in compliance with this Court's subsequent orders, the Liquidator barred and discharged all claims reported to the Liquidator after the Bar Date and made one *pro-rata* distribution of Colonial's assets to its general creditors with allowed claims.

4. The Closing Report describes to the Court the status of the Colonial Liquidation Proceeding and informs the Court that the affairs of the Colonial estate permit final administrative expenses to be paid and termination of the Liquidation Proceeding.

5. The Liquidator has complied with the directives of the Liquidation Order and subsequent orders of this Court. The Liquidation Proceeding has been completed and the Liquidator has fulfilled the purposes for which the Liquidation Proceeding was commenced. Therefore, it is respectfully submitted that the Closing Report and the financial transactions delineated therein should be approved, the Liquidator should be discharged and the Liquidation Proceeding should be terminated and closed.

6. Additionally, the Liquidator respectfully requests that he be authorized, without further order of this Court, to receive and disburse assets of Colonial after the termination of the Liquidation Proceeding and to use such assets, first to pay administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute the balance of such assets to those creditors of Colonial with allowed claims who are eligible to share in a *pro-rata* distribution.

7. This Verified Petition seeks the issuance of an order ("Order") that: (i) approves the Closing Report and the financial transactions delineated in such report; (ii) authorizes the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding; (iii) terminates and closes the Liquidation Proceeding; (iv) authorizes the Liquidator, without further order of this Court, to receive and disburse assets of Colonial after the termination of the Liquidation Proceeding and to use such assets, first to pay administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute the balance of such assets to those creditors of Colonial with allowed claims who are eligible to share in a *pro-rata* distribution; (v) approves the Liquidator's recommendation to allow the claim of the New York Property/Casualty Insurance Security Fund ("PC Fund") for expenses and losses it paid, totaling \$24,627.16; (vi) releases and discharges the Liquidator, his predecessors and successors in office, and their agents, attorneys

and employees, from any and all liability arising from their acts or omissions in connection with the Liquidation Proceeding; (vii) authorizes and directs the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Colonial without further order of this Court; and (viii) provides for such other and further relief as this Court deems appropriate and just.

8. The Liquidator also requests that this Court issue the accompanying Order to Show Cause approving: (i) a return date ("Return Date") for a hearing ("Hearing") on the Verified Petition to be held before this Court at least thirty (30) days after the date of issuance of the Order to Show Cause; (ii) the form of notice to be given to Colonial's policyholders, creditors 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://nylb.org> at least fifteen (15) days before the Return Date and (b) publication in *The New York Times*, National Edition, such publication to occur for two consecutive weeks commencing within the thirty (30) days following entry of this Order to Show Cause, such service shall be deemed good and sufficient service.

9. A previous application for the relief sought herein was made to this Court. The Court denied the application without prejudice on the grounds that the method of publication of the Order to Show Cause would not reach workers or residents outside of Long Island, New York. The Order to Show Cause now requires publication in *The New York Times*, National Edition.

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

- a. approving the Closing Report and the financial transactions delineated in such report;

- b. authorizing the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding;
- c. terminating and closing the Liquidation Proceeding;
- d. authorizing the Liquidator, without further order of this Court, to receive and disburse assets of Colonial after the termination of the Liquidation Proceeding and to use such assets, first to pay administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute the balance of such assets to those creditors of Colonial with allowed claims who are eligible to share in a *pro-rata* distribution;
- e. approving the Liquidator's recommendation to allow the claim of the PC Fund for expenses and losses it paid, totaling \$24,627.16;
- f. releasing and discharging the Liquidator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the Liquidation Proceeding;
- g. authorizing and directing the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Colonial without further order of this Court; and
- h. providing for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York  
October 16, 2014



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Scott D. Fischer  
Acting Special Deputy Superintendent and  
Agent of Benjamin M. Lawskey,  
Superintendent of Financial Services of the  
State of New York as Liquidator of  
Colonial Indemnity Insurance Company


L14909/LMR

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

Scott D. Fischer, being duly sworn, deposes and says:

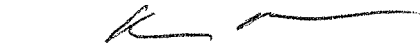
That he has read the foregoing Verified Petition, and that the same is true based upon information and belief as to those matters stated therein. Deponent further says that the sources of his information and the grounds of his belief as to the matters alleged therein are from or were derived from the files of Colonial Indemnity 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 Acting Special Deputy Superintendent and Agent of the Superintendent of Financial Services of the State of New York as Liquidator of Colonial Indemnity Insurance Company.



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Scott D. Fischer  
Acting Special Deputy Superintendent and  
Agent of Benjamin M. Lawskey,  
Superintendent of Financial Services of the  
State of New York as Liquidator of  
Colonial Indemnity Insurance Company

Sworn to before me this  
16<sup>th</sup> day of October, 2014

  
\_\_\_\_\_  
Notary Public

**ROBIN KRAUS**  
Notary Public, State of New York  
No. 455010055  
Qualified in Richmond County  
Certificate Filed in Richmond County  
Commission Expires March 22, 2015

# EXHIBIT 1

**IN THE MATTER OF THE LIQUIDATION OF  
COLONIAL INDEMNITY INSURANCE COMPANY  
Supreme Court County of New York  
Index No.: 405444/07**

**NOTICE**

Pursuant to an order of the Supreme Court of the State of New York, County of New York ("Court"), entered on July 7, 2009, the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of Colonial Indemnity Insurance Company ("Colonial") and, as such, has been directed to take possession of Colonial'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 Colonial. The Liquidator has, pursuant to Insurance Law Article 74, appointed Scott D. Fischer, Acting Special Deputy Superintendent ("Acting Special Deputy"), as his agent to liquidate the business of Colonial. The Acting 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 and request to close ("Closing Report") the Colonial liquidation proceeding ("Liquidation Proceeding") and the financial transactions delineated in such report; (ii) authorizing the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding; (iii) terminating and closing the Liquidation Proceeding; (iv) authorizing the Liquidator, without further order of the Court, to receive and disburse assets of Colonial after the termination of the Liquidation Proceeding and to use such assets, first to pay administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute the balance of such assets to those creditors of Colonial with allowed claims who are eligible to share in a *pro-rata* distribution; (v) approving the Liquidator's recommendation to allow the claim of the New York Property/Casualty Insurance Security Fund for expenses and losses it paid, totaling \$24,627.16; (vi) releasing and discharging the Liquidator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the Liquidation Proceeding; (vii) authorizing and directing the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Colonial without further order of the Court; and (viii) providing for such other and further relief as the Court deems appropriate and just.

A hearing is scheduled on the Verified Petition on the \_\_\_\_ day of \_\_\_\_ 2014, at \_\_:\_\_.m., before the Court at the Courthouse, IAS Part 23, 60 Centre Street, Room \_\_, New York, New York. If you wish to object to the Verified Petition, 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 (7) business 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 Colonial Indemnity Insurance Company  
110 William Street  
New York, New York 10038  
Attention: John Pearson Kelly, Esq.  
General Counsel

The Verified Petition and Closing Report on the status of and request to close the Liquidation Proceeding 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) 341-6670.

Dated:                   , 2014

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

# EXHIBIT 2

**REPORT ON THE STATUS OF AND REQUEST TO CLOSE THE LIQUIDATION  
PROCEEDING OF COLONIAL INDEMNITY INSURANCE COMPANY**

**INTRODUCTION**

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York as liquidator ("Liquidator") of Colonial Indemnity Insurance Company ("Colonial") has appointed Scott D. Fischer as Acting Special Deputy Superintendent and Agent of the Liquidator ("Acting Special Deputy") and other Agents, to carry out, through the New York Liquidation Bureau, the responsibilities of the Liquidator. The Liquidator, by the Acting Special Deputy, hereby submits this Liquidator's report ("Closing Report") on the status of and request to close the Colonial liquidation proceeding ("Liquidation Proceeding").

This Court entered an order ("Liquidation Order") on July 7, 2009 ("Liquidation Order Date"), pursuant to which Colonial was placed into liquidation. The Liquidation Order appointed the then-Superintendent of Insurance of the State of New York ("Superintendent of Insurance") and his successors in office as Liquidator of Colonial. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Colonial.

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

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

The Liquidator has been discharging his responsibilities since the Liquidation Order Date. This Closing Report sets forth a history of Colonial, a summary of the Liquidator's activities pursuant to the Liquidation Order and Insurance Law Article 74, the financial status of Colonial and the basis for the Liquidator's recommendations to: (i) approve this Closing Report on the status of and request to close the Liquidation Proceeding and the financial transactions delineated herein; (ii) authorize the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding; (iii) terminate and close the Liquidation Proceeding; (iv) authorize the Liquidator, without further order of this Court, to receive and disburse assets of Colonial after the termination of the Liquidation Proceeding and to use such assets, first to pay administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute the balance of such assets to those creditors of Colonial with allowed claims who are eligible to share in a *pro-rata* distribution; (v) approve the Liquidator's recommendation to allow the claim of the New York Property/Casualty Insurance Security Fund ("PC Fund") for expenses and losses it paid, totaling \$24,627.16; (vi) release and discharge the Liquidator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the Liquidation Proceeding; (vii) authorize and direct the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Colonial without further order of this Court; and (viii) provide for such other and further relief as this Court deems appropriate and just.

## **BACKGROUND**

Colonial was incorporated on September 13, 1961, under the laws of the State of New York as the Charter Indemnity Company. It commenced business on August 24, 1962, and adopted its present name on March 10, 1986. On August 5, 1996, Eagle Insurance Company (“Eagle”)<sup>1</sup>, a New Jersey corporation and wholly-owned subsidiary of The Robert Plan Corporation (“The Robert Plan”), acquired all of the outstanding capital stock of Colonial via an assignment and assumption agreement with The Robert Plan. The Robert Plan assigned to Eagle its rights to purchase Colonial, under the stock purchase agreement, from BW Holding Corporation. Eagle subsequently became Colonial’s immediate parent company.

On September 6, 2007, this Court issued an order appointing the then-Superintendent of Insurance of the State of New York and his successors in office as rehabilitator (“Rehabilitator”) of Colonial. On July 7, 2009, the Liquidation Order converted Colonial’s rehabilitation proceeding to this Liquidation Proceeding and appointed the Rehabilitator as Liquidator of Colonial.

On or about December 16, 2011, the Liquidator submitted a report and other papers (“2011 Report”), which updated this Court of the status of the Liquidation Proceeding and recommended that this Court (i) establish March 31, 2012 as the bar date (“Bar Date”) for presentment of all claims other than claims for administrative costs and expenses; (ii) authorize and direct the Liquidator to consider only those claims for actual losses arising under policies issued by Colonial that are presented to the Liquidator on or before the Bar Date; (iii) bar and discharge all claims for losses reported after the Bar Date; (iv) authorize the continued payment of administrative costs and expenses; and (v) authorize the Liquidator to distribute Colonial’s

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<sup>1</sup> On August 9, 2007, Eagle was declared insolvent by a court of competent jurisdiction of the State of New Jersey and placed into liquidation. By order entered February 27, 2009, Eagle was placed into Ancillary Receivership in the State of New York.

assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Colonial with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available. As described more fully in the 2011 Report, pursuant to Insurance Law Section 7434, allowed claims are paid in order of priority and all members of a senior class must be paid in full before members of the next class may receive any payment. The Liquidator's administrative expenses are afforded the highest priority and the second-highest priority is given to the claims of policyholders, including the claims of security or guaranty funds.<sup>2</sup> N.Y. Ins. L. §7434(a). By order entered March 8, 2012, this Court approved the 2011 Report and the Liquidator's recommendations. Pursuant to the 2011 Report and in compliance with this Court's subsequent orders the Liquidator made one *pro-rata* distribution of Colonial's assets to its creditors with allowed claims, and barred and discharged all claims reported to the Liquidator after the Bar Date.

The Liquidator completed all activities related to the Liquidation Proceeding by September 30, 2014 ("Closing Date"), and therefore selected that date for closing Colonial's books.

#### **FINANCIAL CONDITION OF COLONIAL**

Colonial's comparative balance sheet as of the Liquidation Order Date and the Closing Date and the statement of changes in cash and invested assets for the period between the Liquidation Order Date and the Closing Date (collectively, the "Financial Statements") are attached hereto collectively as Exhibit A.

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<sup>2</sup> As discussed in greater detail in the 2011 Report, New York's security funds are reserves of money, provided by insurers operating in New York, 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 and expenses paid by the funds. See N.Y. Ins. L. §7609(a) and N.Y. Workers' Comp. L. §109-c.

**A. As of the Liquidation Order Date**

Based on the Liquidator's review of Colonial's records the Liquidator determined that Colonial had, as of the Liquidation Order Date, total assets of \$2,203,852, which consisted entirely of unrestricted assets. The \$2,203,852 in unrestricted assets consisted of cash and equivalents in the amount of \$1,186,894 and accrued investment income in the amount of \$7. Additionally, Colonial reported reinsurance receivables on unpaid losses and unpaid loss adjustment expenses ("LAE") in the amount of \$1,016,951.

Based on the Liquidator's review of Colonial's records the Liquidator determined that Colonial had, as of the Liquidation Order Date, total liabilities in the amount of \$6,432,763, which consisted of \$299,717 for secured claims, \$41,986 for the Rehabilitator's operating and administrative expenses, \$4,548,887 for the PC Fund as gross liability for loss claim reserves, \$19,569 reported as LAE, \$294,823 for incurred but not reported ("IBNR") claims for loss and LAE, \$79,988 in unsecured creditor claims (other than reinsurance related) and \$1,147,793 in reinsurance liabilities.

**B. As of the Closing Date**

As of the Closing Date, Colonial had total assets of \$4,548 and total liabilities of \$3,423,804, leaving Colonial insolvent in the amount of \$3,419,256.

As of the Closing Date, Colonial's total liabilities of \$3,423,804, consisted of \$24,729 for the Liquidator's Class one claim, \$2,730,482 for claims of the PC Fund (Class two claim) as liabilities for loss and LAE. Additionally, Colonial's records reflect Class five creditor claims in the amount of \$54, Class six non-reinsurance related creditor claims in the amount of \$257,233 and Class six reinsurance claims in the amount of \$411,306.

Colonial's Financial Statements reflect the transactions described herein. *See Exhibit A.*

### **1. Collection of Assets**

As of the Closing Date, the Liquidator collected assets in the amount of \$643,501, consisting of \$606,179 in reinsurance recoveries, \$29,500 in receipts from affiliates, and \$3,141 in miscellaneous receipts. The Liquidator invested Colonial's assets in cash and equivalents, earning investment income in the amount of \$4,681.

### **2. Disbursement of Assets**

From the Liquidation Order Date through the Closing Date, the Liquidator has incurred and paid expenses in the amount of \$1,218,178, consisting of administrative expenses. These expenses include: \$406,609 for the salaries of the Liquidator's staff, \$229,998 for employee relations and welfare (*e.g.*, payroll taxes, health insurance and pension contributions), \$148,908 for rent and related expenses, \$276,406 for professional fees (*e.g.*, accountants, legal and other consultants), \$15,379 for general and administrative expenses (*e.g.*, IT services and office supplies), and \$140,878 for miscellaneous expenses (*e.g.*, insurance, bank fees and closing costs).

### **3. Distribution of Assets**

Pursuant to orders of this Court and Insurance Law Article 74, the Liquidator made one *pro-rata* distribution to Colonial's creditors with allowed claims totaling \$607,669, which represents 18.34% of the amount of Colonial's allowed claims. Upon approval of the PC Fund's claim for losses and expenses in the amount of \$24,627, as sought in this application, the Liquidator will make a final *pro-rata* distribution to the PC Fund in the amount of \$4,548, which will reduce Colonial's assets to \$0.<sup>3</sup>

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<sup>3</sup> This final distribution will be in respect of this allowance in the amount of \$24,627 and this Court's most recent allowance in the amount of \$168.50, which was approved under Court Order Number 40.



## **THE LIQUIDATION PROCEEDING**

Based on the Liquidator's review, Colonial's books and records showed that there were 146 potential claims on the estate at the start of the Liquidation Proceeding. Forty-seven of these potential claims were not further supported and did not become actual claims. Six of the potential claims became actual claims that were handled by the PC Fund and are aggregated into the PC Fund's individual claim against the estate. Of the remaining 93 potential claims 1 Class two claim of the PC Fund was adjudicated during Colonial's Liquidation Proceeding, 44 were voided as duplicate filings<sup>4</sup>, and 48 claims (in classes below Class two) remain open and unadjudicated because Colonial has insufficient assets to pay those claims.

Throughout the Liquidation Proceeding and with this Court's approval, the Liquidator has distributed Colonial's assets to its Class one (Liquidator's expenses) and Class two (policyholder and PC Fund) claimants. Distributions consist of the cash payments from estate assets. Because the estate's assets were insufficient to pay its Class two claimants in full, the Class two claimants were paid a percentage of their allowed claims, totaling 18.34% of their claims. Because Colonial has insufficient assets to pay Class two claims in full, no distributions may be made to creditors with claims below Class two. *See* N.Y. Ins. L. §7434. Because all Class two claims have been adjudicated and because Colonial lacks the assets to make a distribution to the remaining classes of claims, the Liquidation Proceeding is now complete and may be terminated.

## **ALLOWANCE OF THE PC FUND'S FINAL CLAIM FOR LOSSES AND EXPENSES**

The superintendent reviewed and allowed Colonial's final policyholder claim in the amount of \$22,500 in accordance with Insurance Law Section 7602(g) and payment in that

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<sup>4</sup> In the 2011 Report, the Liquidator reported that there were 51 Class two claims. Since the 2011 Report, 44 of the 51 Class two claims were voided as duplicate filings and 7 claims were handled by the PC Fund.

amount was made out of the PC Fund pursuant thereto. The PC Fund also paid expenses of \$2,127.16 incurred in connection with such claim which, with the amount paid to the policyholder, totals \$24,627.16. Under Insurance Law Section 7609, the PC Fund is entitled to a valid claim against Colonial's estate in an amount equal to the sum of losses and LAE relating to that final claim. AS he has done since the start of this proceeding, the Liquidator reviewed the claim of the PC Funds and determined that the PC Fund's claim should be allowed. The Liquidator, therefore, respectfully recommends and requests that this Court allow this final claim.

#### **RELIEF SOUGHT**

The Liquidator submits this Closing Report in order of describe to the Court the status of the Colonial Liquidation Proceeding and to inform the Court that the affairs of the Colonial estate can be terminated. The Liquidator notes that the relief sought herein would, among others, authorize him without further order of the Court, to continue to receive assets, if any, of Colonial, and to use such assets, first, to pay any administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute such assets to those creditors of Colonial with allowed claims who are eligible to share in a *pro-rata* distribution. In support of the Liquidator's recommendations stated herein, the Liquidator has submitted to this Court the Verified Petition of the Acting Special Deputy. Based on the Liquidator's compliance with the Liquidation Order, subsequent orders of this Court and the facts set forth in the Verified Petition and herein, the Liquidator respectfully requests that this Court issue an order, which:

1. Approves this Closing Report on the status of and request to close the Liquidation Proceeding and the financial transactions delineated herein;
2. Authorizes the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding;

3. Terminates and closes the Liquidation Proceeding;
4. Authorizes the Liquidator, without further order of this Court, to receive and disburse assets of Colonial after the termination of the Liquidation Proceeding and to use such assets, first to pay administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute the balance of such assets to those creditors of Colonial with allowed claims who are eligible to share in a *pro-rata* distribution;
5. Approves the Liquidator's recommendation to allow the claim of the PC Fund for expenses and losses it paid, totaling \$24,627.16;
6. Releases and discharges the Liquidator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the Liquidation Proceeding;
7. Authorizes and directs the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Colonial without further order of this Court; and
8. Provides for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York  
October 16, 2014



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Scott D. Fischer  
Acting Special Deputy Superintendent and  
Agent of Benjamin M. Lawsky,  
Superintendent of Financial Services of the  
State of New York as Liquidator of  
Colonial Indemnity Insurance Company

L14909/LMR

# EXHIBIT A

**COLONIAL INDEMNITY INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF ASSETS**

|   | Sep. 30, 2014  | Jul. 09, 2009  |
|---|----------------|----------------|
| Unrestricted Assets                                       |                |                |
| Cash-Unrestricted   | \$ 4,548       | \$ 1,186,894   |
| Short-Term Investments                                    | -              | -              |
| Bonds, Preferred Stocks, and Common Stocks                | -              | -              |
| Total Cash and Invested Assets                            | \$ 4,548       | \$ 1,186,894   |
| Investment in Subsidiary                                  | -              | -              |
| Other Invested Assets                                     | -              | -              |
| Reinsurance Recoverables on Paid Losses and LAE           | 4,229,996      | 2,773,892      |
| Less: Allowance for Uncollectible Reinsurance Recoverable | \$ (4,229,996) | (2,773,892)    |
| Net Reinsurance Recoverable on Paid Losses and LAE        | -              | -              |
| Reinsurance Recoverables on Unpaid Losses and Unpaid LAE  | -              | 5,314,181      |
| Less: Allowance for Uncollectible Reinsurance Recoverable | -              | \$ (4,297,230) |
| Net Reinsurance Recoverable on Unpaid Losses and LAE      | -              | 1,016,951      |
| Accrued Investment Income                                 | -              | 7              |
| Other Assets  | -              | -              |
| Total Unrestricted Assets                                 | 4,548          | 2,203,852      |
| Restricted Assets:  |                |                |
| Restricted - Statutory Deposits in This or Other States   | -              | -              |
| Restricted - Other  | -              | -              |
| Total Restricted Assets                                   | -              | -              |
| Total Assets  | \$ 4,548       | \$ 2,203,852   |

**COLONIAL INDEMNITY INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF LIABILITIES**

|  | Sep. 30, 2014 | Jul. 09, 2009 |
|--|---------------|---------------|
| Secured Claims                           | -             | \$ 299,717    |
| Class I - Administrative Claims:         | \$ 24,729     | 41,986        |
| Class II - Claims and Related Costs:     |               |               |
| Guaranty Fund Claims:                    |               |               |
| Allowed Claims:                          |               |               |
| Administrative Claims Expenses           | -             | -             |
| Loss Adjustment Expenses (LAE)           | \$ 609,105    | -             |
| Loss Claims                              | 2,704,250     | -             |
| Unearned and Advance Premium Claims      | -             | -             |
| Total Allowed Claims                     | 3,313,355     | -             |
| Less Advance Dividends                   | (607,669)     | -             |
| Total Allowed Claims                     | 2,705,686     | -             |
| Non - Allowed Claims:                    |               |               |
| Administrative Claims Expenses           | -             | -             |
| Loss Adjustment Expenses (LAE)           | 2,296         | \$ 19,569     |
| Loss Claim Reserves                      | 22,500        | 4,548,887     |
| Unearned and Advance Premium Claims      | -             | -             |
| Total Non-Allowed Claims                 | \$ 24,796     | \$ 4,568,456  |
| Total Guaranty Fund Claims:              | 2,730,482     | 4,568,456     |
| 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                     | -             | -             |
| Unearned and Advance Premium Claims      | -             | -             |
| Loss Adjustment Expenses (LAE)           | -             | -             |
| Total Non-Allowed Claims                 | -             | -             |
| Total Creditor Claims                    | -             | -             |
| IBNR                                     | -             | 294,823       |
| Total Class II Claims and Related Costs: | \$ 2,730,482  | \$ 4,863,279  |
| Class III - Federal Government Claims:   |               |               |
| Allowed Claims:                          | -             | -             |
| Less: Dividends                          | -             | -             |
| Total Allowed Claims                     | -             | -             |
| Non - Allowed Claims                     | -             | -             |
| Total Class III Claims                   | -             | -             |
| Class IV - Employee Claims:              |               |               |
| Allowed Claims:                          | -             | -             |
| Less: Dividends                          | -             | -             |
| Total Allowed Claims                     | -             | -             |
| Non - Allowed Claims                     | -             | -             |
| Total Class IV Claims                    | -             | -             |

COLONIAL INDEMNITY INSURANCE COMPANY IN LIQUIDATION  
STATEMENT OF LIABILITIES (Continued)

|  | Sep. 30, 2014  | Jul. 09, 2009  |
|--|----------------|----------------|
| Class V - State and Local Government Claims:                                   |                |                |
| Allowed Claims:  | -              | -              |
| Less: Dividends  | -              | -              |
| Total Allowed Claims   | -              | -              |
| Non - Allowed Claims   | \$ 54          | -              |
| Total Class V Claims   | \$ 54          | -              |
| 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) | 257,233        | 79,988         |
| Total General Unsecured Creditor Claims (Other than Reinsurance Related)       | 257,233        | 79,988         |
| Reinsurance Related Unsecured Claims   | 411,306        | \$ 1,147,793   |
| Less: Dividends  | -              | -              |
| Total Reinsurance Related Unsecured Claims                                     | \$ 411,306     | \$ 1,147,793   |
| Total Class VI Claims  | 668,539        | \$ 1,227,781   |
| 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  | 3,423,804      | 6,432,763      |
| TOTAL DEFICIT  | \$ (3,419,256) | \$ (4,228,911) |

COLONIAL INDEMNITY INSURANCE COMPANY IN LIQUIDATION  
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS  
FOR THE PERIOD FROM JULY 9, 2009 TO SEPTEMBER 30, 2014

|   |                                     | Inception to<br>Sep. 30, 2014 |
|---|-------------------------------------|-------------------------------|
| Receipts  | Investment Income                   | \$ 4,681                      |
|   | Reinsurance                         | 606,179                       |
|   | Affiliates                          | 29,500                        |
|   | Miscellaneous                       | 3,141                         |
|   | <b>Total Receipts</b>               | <b>643,501</b>                |
| Disbursements   | Dividends                           | 607,669                       |
|   | Salaries                            | 406,609                       |
|   | Employee Relations & Welfare        | 229,998                       |
|   | Rent and Related Expenses           | 148,908                       |
|   | Professional Fees                   | 276,406                       |
|   | General and Administrative Expenses | 15,379                        |
|   | Other Miscellaneous Expenses        | 140,878                       |
| <b>Total Disbursements</b>                                  |                                     | <b>1,825,847</b>              |
| <b>Net Increase (Decrease) in Cash and Invested Assets</b>  |                                     | <b>(1,182,346)</b>            |
| <b>BEGINNING CASH AND INVESTED ASSETS - JULY 9, 2009</b>    |                                     | <b>1,186,894</b>              |
| <b>Unrealized Gain on Investments</b>                       |                                     | <b>-</b>                      |
| <b>ENDING CASH AND INVESTED ASSETS - SEPTEMBER 30, 2014</b> |                                     | <b>\$ 4,548</b>               |



Index No. 405444 Year 2007

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

In the Matter of  
the Liquidation of

COLONIAL INDEMNITY INSURANCE COMPANY.

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

**JOHN PEARSON KELLY**

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

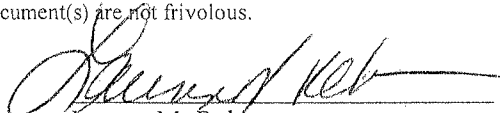
*Office and Post Office Address, Telephone*

New York Liquidation Bureau  
110 William Street – 15<sup>th</sup> Floor  
New York, NY 10038  
(212) 341-6523  
Fax (212) 233-0461

**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: , 2014  
New York, New York

  
Lauren M. Reber

☐ 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 of which the within is a true copy will be presented for  
settlement to the HON. 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  
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