

FILED

AUG 16 2016

NEW YORK
COUNTY CLERK'S OFFICE

EX PARTE MOTION OFFICE

APPROVED
FOR THE PAYMENT
OF MOTION FEE
ONLY

At IAS Part 59 of the Supreme Court of
the State of New York, County of New
York, at the courthouse at 71 Thomas
Street, in the County, City and State of
New York, on the ____ day of
____, 2016.

AUG 19 2016

PRESENT:

HON. DEBRA A. JAMES, J.S.C.

AUG 16 2016

NEW YORK
COUNTY CLERK'S OFFICE

In the Matter of

Index No.: 400563/13

the Ancillary Receivership of

ORDER TO SHOW CAUSE

FIRST SEALORD SURETY, INC.

Based on the affirmation of Melissa A. Pisapia, an attorney with the New York Liquidation Bureau (the "NYLB"), the organization that carries out the duties of Maria T. Vullo, Superintendent of Financial Services of the State of New York in her capacity as ancillary receiver (the "Ancillary Receiver") of First Sealord Surety, Inc. ("FSSI"), dated the 12th day of August, 2016, and the exhibits attached thereto, upon all other papers previously submitted and all proceedings heretofore had herein;

NOW, on motion of the Ancillary Receiver, and after due deliberation having been had thereon,

LET all policyholders, claimants, creditors and all other parties interested in the affairs of FSSI or counsel show cause before this Court at IAS Part 59, Room 331, thereof, at the Courthouse located at 60 Centre ~~71 Thomas~~ Street in the City, County and State of New York, on the 29th day of September, 2016 ("Return Date") at 9:30 o'clock in the a.m., or as soon thereafter as

NO FEE

counsel can be heard, why an order should not be made, pursuant to Article 74 of the New York Insurance Law, *inter alia*: (1) approving the Ancillary Receiver's report on the status of and request to close the FSSI ancillary receivership proceeding (the "Ancillary Receivership Proceeding") and the financial transactions delineated in such report; (2) authorizing the payment of administrative expenses, including such expenses for the closing of the Ancillary Receivership Proceeding; (3) terminating and closing the Ancillary Receivership Proceeding; (4) releasing and discharging the Ancillary Receiver, her 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 Ancillary Receivership Proceeding; and (5) granting the Ancillary Receiver such other and further relief as this Court deems appropriate and just.

AND, sufficient cause having been alleged, it is hereby

ORDERED, that service of a copy of this Order to Show Cause and the papers upon which it is granted be made on the domiciliary liquidator of FSSI by serving a copy thereof by overnight mail upon Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as Liquidator of First Sealord Surety, Inc., at Pennsylvania Insurance Department, 1326 Strawberry Square, Harrisburg, PA 17102, on or before the 24th day of August, 2016, and such service shall be deemed good and sufficient service; and it is further

ORDERED, that the Ancillary Receiver shall give notice of this application by posting this Order to Show Cause and its supporting papers on the Internet web page maintained by the NYLB at <http://www.nylb.org> at least ten (10) days before the Return Date with such service to be deemed good and sufficient service; and it is further

ORDERED, that answering papers, either in support of or opposition to the relief sought herein (the "Answering Papers"), shall be served on the Ancillary Receiver at the following address:

Superintendent of Financial Services of the State of New York
as Ancillary Receiver of First Sealord Surety, Inc.
110 William Street, 15th Floor
New York, New York 10038
Attention: General Counsel

on or before the 16th day of September 2016
~~at least seven (7) days before the Return Date~~, and that any Answering Papers, together with an affidavit of service, shall be filed with the Court on or before the Return Date.

ORAL
ARGUMENT
DIRECTED

ENTER

DAB
ASC

L 19848/map

Debra A. James
J.S.C.

DEBRA A. JAMES

AUG 19 2016

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

-----X
In the Matter of

Index No.: 400563/13

the Ancillary Receivership of

AFFIRMATION

FIRST SEALORD SURETY, INC.
-----X

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

1. I am an attorney with the New York Liquidation Bureau (the "NYLB"), the organization that carries out the duties of Maria T. Vullo, Superintendent of Financial Services of the State of New York (the "Superintendent") in her capacity as ancillary receiver (the "Ancillary Receiver") of First Sealord Surety, Inc. ("FSSI"), and submit this affirmation, upon information and belief based on my review of the FSSI files maintained by the NYLB, the affidavit of Gail Pierce-Siponen, Director of Creditor and Ancillary Operations of the NYLB, annexed hereto as Exhibit 1, and the conversations I have had with employees of the Ancillary Receiver in support of the Ancillary Receiver's motion to approve the report on the status of and request to close the ancillary receivership proceeding of FSSI (the "Closing Report"), annexed hereto as Exhibit 2.

2. On February 8, 2012, FSSI, a Pennsylvania-domiciled surety insurance company that was licensed to underwrite insurance policies in thirty-nine states, including the State of New York, was placed in liquidation in the Commonwealth of Pennsylvania (the "Domestic Liquidation Proceeding") and the Commissioner of Insurance of the Commonwealth of Pennsylvania was appointed liquidator of FSSI (the "Domestic Liquidator").

3. By order dated November 14, 2012, Supreme Court, Albany County, issued an order placing FSSI into ancillary receivership (the “Ancillary Receivership Proceeding”) and appointing the Superintendent and his successors in office as Ancillary Receiver of FSSI. In February 2013, an order was entered transferring venue of the Ancillary Receivership Proceeding from Supreme Court, Albany County to Supreme Court, New York County.

4. The Closing Report describes the status of the Ancillary Receivership Proceeding and sets forth evidence that the affairs of the FSSI estate permit the termination of the Ancillary Receivership Proceeding and payment of administrative expenses including such expenses for the closing of the Ancillary Receivership Proceeding.

5. During the course of the Ancillary Receivership Proceeding, eligible claims covered by the New York Property/Casualty Insurance Security Fund (the “P/C Fund”) were referred to the Ancillary Receiver by the Domestic Liquidator. The Ancillary Receiver reviewed these claims on the merits, including making independent determinations on coverage under the P/C Fund. If the claims were covered by the P/C Fund then they were allowed by this Court, who is supervising the Ancillary Receivership Proceeding (the “Supervising Court”).

6. The Court supervising the Domestic Liquidation Proceeding established February 7, 2014 as the last date upon which any proof of claim against FSSI must be filed with the Domestic Liquidator (the “Bar Date”). Claims not filed with the Domestic Liquidator on or before the Bar Date are deemed waived. A copy of the bar date order is annexed hereto as Exhibit 3. Because the Bar Date has passed, the Domestic Liquidator will not accept any additional claims and no further claims under FSSI policies will be presented to the Ancillary Receiver. All claims under FSSI policies that have been referred to the Ancillary Receiver have been adjudicated. All claims have been resolved and all eligible claims have been allowed and paid by the P/C Fund.

7. Because no further claims under FSSI policies will be presented to the Ancillary Receiver, all claims have been reviewed and, to the extent covered by the P/C Fund, allowed claims have been paid. Thus, all New York based insureds with claims covered by the P/C Fund have been paid by the P/C Fund, and the Ancillary Receiver has fulfilled her obligations and the proceeding may now be terminated.

8. The Closing Report describes, in more detail, the status of the Ancillary Receivership Proceeding and informs the Court that the affairs of the FSSI estate permit the payment of administrative expenses, including such expenses for the closing of the Ancillary Receivership Proceeding, and termination of the Ancillary Receivership Proceeding.

9. The Ancillary Receiver also requests that the Supervising Court issue the accompanying Order to Show Cause approving a return date for a hearing on the Ancillary Receiver's application to be held before the Court at least thirty (30) days after the date of issuance of the Order to Show Cause.

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

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WHEREFORE, it is respectfully requested that the Supervising Court enter an order:

- (i) approving the Closing Report and the financial transactions delineated in such report;
- (ii) authorizing the payment of administrative expenses, including such expenses for the closing of the Ancillary Receivership Proceeding; (iii) terminating and closing the Ancillary Receivership Proceeding; (iv) releasing and discharging the Ancillary Receiver, her 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 Ancillary Receivership Proceeding; and (v) granting the Ancillary Receiver such other and further relief as the Supervising Court deems appropriate and just.

Dated: New York, New York
August 12, 2016



Melissa A. Pisapia

L19848

EXHIBIT 1

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

-----X

In the Matter of

Index No.: 400563/13

the Ancillary Receivership of

AFFIDAVIT

FIRST SEALORD SURETY, INC.

-----X

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

Gail Pierce-Siponen, being duly sworn, deposes and says:

1. I am an Assistant Special Deputy Superintendent and the Director of Creditor and Ancillary Operations of the New York Liquidation Bureau (the "NYLB"), the organization that carries out the responsibilities of the Superintendent of Financial Services of the State of New York (the "Superintendent") as ancillary receiver (the "Ancillary Receiver") of First Sealord Surety, Inc. ("FSSI"). I submit this affidavit based upon my own personal knowledge and upon information and belief, the sources of which are the files and records of FSSI maintained by the NYLB, in support of the Ancillary Receiver's application for an order approving the Closing Report (as defined in the accompanying affirmation of Melissa A. Pisapia) and terminating and closing the ancillary receivership proceeding of FSSI.

2. The NYLB acts on the Superintendent's behalf with respect to claims-handling and certain payment functions relating to the New York Property/Casualty Insurance Security Fund (the "P/C Fund"). The P/C Fund was established to pay certain policyholders and injured parties with claims against policyholders, where the policyholders are insured under property/casualty policies or under insurance policies or corporate surety bonds insuring against, among other things, personal injuries, in each case issued by an authorized insurer whose claims are unpaid due to the insolvency of the insurer.

3. The FSSI ancillary receivership proceeding was commenced to permit payment to eligible FSSI policyholders or third-parties holding claims against such policyholders. During the course of the FSSI ancillary receivership proceeding, eligible P/C Fund covered claims were allowed by the Supreme Court of the State of New York or the Superintendent as Ancillary Receiver. All such P/C Fund covered claims have been resolved and all eligible claims have been allowed and paid.

4. The Ancillary Receiver completed all activities for which the FSSI ancillary receivership proceeding was necessary. As a result, no further claims under FSSI policies will be presented to the Ancillary Receiver.

5. As a result of the claims and expenses paid in the FSSI ancillary receivership proceeding, the P/C Fund filed a claim in the domestic liquidation proceeding in the amount of \$1,124,327. As of July 31, 2016, the domestic liquidator has yet to make any distributions.



Gail Pierce-Siponen

Sworn to before me this

12th day of August, 2016



Notary Public

MEISSA A. DELL'ORTO
Notary Public, State of New York
No. 02DE6287864
Qualified in Queens County
Commission Expires August 26, 2017

EXHIBIT 2

**REPORT ON THE STATUS OF AND REQUEST TO CLOSE
THE ANCILLARY RECEIVERSHIP PROCEEDING
OF FIRST SEALORD SURETY, INC.**

Maria T. Vullo, Superintendent of Financial Services of the State of New York (the "Superintendent") as ancillary receiver (the "Ancillary Receiver") of First Sealord Surety, Inc. ("FSSI"), has appointed certain agents, to carry out, through the New York Liquidation Bureau (the "NYLB"), the responsibilities of the Ancillary Receiver. The Ancillary Receiver, by John Pearson Kelly, Assistant Special Deputy Superintendent and Agent, hereby submits this Ancillary Receiver's report (the "Closing Report") on the status of the FSSI ancillary receivership proceeding (the "Ancillary Receivership Proceeding") and respectfully requests that such proceeding be closed.

Introduction

The Ancillary Receiver is submitting this Closing Report to apprise the Court on the status of the Ancillary Receivership Proceeding and to seek: (i) approval of this Closing Report and the financial transactions delineated herein; (ii) authorization for the payment of administrative expenses, including such expenses for the closing of the Ancillary Receivership Proceeding; (iii) termination and closure of the Ancillary Receivership Proceeding; (iv) release and discharge of the Ancillary Receiver, her 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 Ancillary Receivership Proceeding; and (v) a grant of such other and further relief as the Court deems appropriate and just.

Background

FSSI, a Pennsylvania-domiciled surety insurance company, was authorized and licensed to do business in thirty-nine states, including the State of New York. On February 8, 2012, the

Commonwealth Court of Pennsylvania (the “PA Court”) found that FSSI was insolvent and, as such, entered an order placing FSSI into liquidation (the “Domestic Liquidation Proceeding”). The liquidation order appointed the Insurance Commissioner of the Commonwealth of Pennsylvania as liquidator (the “Domestic Liquidator”) of FSSI.

Supreme Court, Albany County, Index Number 5251/12 entered an order (the “Ancillary Order”) on November 14, 2012 (the “Ancillary Order Date”), pursuant to which this Ancillary Receivership Proceeding was commenced. The Ancillary Receivership Proceeding was commenced to permit payments from the New York Property/Casualty Insurance Security Fund (the “P/C Fund”) to eligible FSSI policyholders or third-parties holding claims against such policyholders. The Ancillary Order appointed the Superintendent of Financial Services of the State of New York and her successors in office as Ancillary Receiver of FSSI.

In February 2013, an order was entered transferring venue of the Ancillary Receivership Proceeding from Supreme Court, Albany County to Supreme Court, New York County.

Claims Referred to the Ancillary Receiver

Because FSSI was licensed to provide insurance in New York, certain New York-based policyholders were eligible to be paid from insurance security funds established by the New York legislature to ameliorate the impact of insurer insolvencies. *In re Reliance*, 35 A.D.3d 191(1st Dept. 2006). The P/C Fund was the only fund impacted by this Ancillary Receivership Proceeding. The P/C Fund pays eligible claims up to a statutory limit where such claims remain unpaid by reason of an insolvent insurer’s inability to meet its obligations to policyholders. The entry of the Ancillary Order permitted the commencement of payments from the P/C Fund.

All claims by FSSI’s policyholders and claimants that were referred to the Ancillary Receiver were initially processed by the Domestic Liquidator in the Domestic Liquidation

Proceeding. The Domestic Liquidator assigned a claim number and referred those claims involving either coverage of property or risks located in or involving a resident of New York to the Ancillary Receiver in order that the Superintendent as administrator of the P/C Fund could make an independent determination of coverage under Insurance Law Article 76. If the property/casualty claims were eligible for payment from the P/C Fund, they were allowed, paid by the P/C Fund and approved by the Superintendent as Ancillary Receiver, or by the Court supervising the Ancillary Receivership Proceeding.

The February 7, 2014 Bar Date

On December 5, 2013, the PA Court established February 7, 2014 as the last date upon which any proof of claim against FSSI must be filed with the Domestic Liquidator (the "Bar Date"). Furthermore, any claim not filed with the Domestic Liquidator on or before the Bar Date was waived. A copy of the PA bar date order is annexed to the accompanying affirmation of Melissa A. Pisapia as Exhibit 3. The establishment of a Bar Date enables a Liquidator to determine an estate's overall liabilities in relation to its assets. Because the PA Court established the Bar Date, no further claims under FSSI policies will be presented to the Ancillary Receiver.

The Ancillary Receivership Proceeding May Be Terminated

The Bar Date has been in effect for more than two years. No further claims under FSSI policies will be accepted by the Domestic Liquidator in the Domestic Liquidation Proceeding. Since the Domestic Liquidator will not accept any further claims, no additional claims will be forwarded to the Ancillary Receiver. All property/casualty claims that have been filed in the Ancillary Receivership Proceeding have been resolved and all eligible claims have been allowed and paid. For the foregoing reasons, the Ancillary Receivership Proceeding is complete and may now be terminated.

Financial Condition of FSSI

The Ancillary Receiver completed all activities related to this Ancillary Receivership Proceeding by July 31, 2016, and selected that date for closing FSSI's books (the "Closing Date"). FSSI's Statement of Losses, Loss Adjustment Expenses ("LAE"), and Administrative Expenses (the "Financial Statement") for the period between the Ancillary Order Date and the Closing Date is annexed hereto as Exhibit A.

Cash Receipts and Disbursements

Through the Closing Date, the Ancillary Receiver made payments for P/C Fund covered claims for loss that were allowed in the Ancillary Receivership Proceeding and associated LAE in the total amount of \$648,311, of which \$557,815 was for loss and \$90,496 was for LAE.

In addition, administrative expenses attributable to the P/C Fund totaled \$476,016. These expenses consist of the actual and necessary costs of administration incurred in connection with claims handling during the Ancillary Receivership Proceeding, which includes salaries, rent, professional fees, general and administrative expenses and other miscellaneous expenses of the Ancillary Receiver.

The P/C Fund disbursed monies to the Ancillary Receiver for the payment, in full, of allowed loss claims in the amount of \$557,815, LAE in the amount of \$90,496, and administrative expenses in the amount of \$476,016.

The P/C Fund filed a claim in the Domestic Liquidation Proceeding in the amount of \$1,124,327, which is equal to its total disbursements. As of the Closing Date, the Domestic Liquidator has not made any distributions to the Ancillary Receiver.

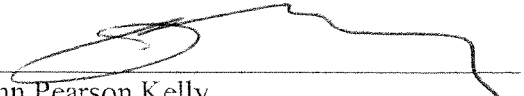
Relief Sought

The Ancillary Receiver submits this Closing Report in order to describe to the Court the status of the Ancillary Receivership Proceeding and to inform the Court that the affairs of the FSSI estate permit administrative expenses to be paid and termination of the Ancillary Receivership Proceeding. In support of the Ancillary Receiver's recommendations stated herein, the Ancillary Receiver has submitted to the Court the affirmation of Melissa A. Pisapia, an attorney with the NYLB, together with supporting documentation annexed to the affirmation and the affidavit of Gail Pierce-Siponen, Assistant Special Deputy Superintendent and Director of Creditor and Ancillary Operations Division of the NYLB. Based on the Ancillary Receiver's compliance with her statutory mandate, including marshaling assets of FSSI, together with the fulfillments of all of her duties and obligations as set forth in the Ancillary Order, the Ancillary Receiver requests that the Court issue an order, which:

1. approves the Closing Report and the financial transactions delineated in such report;
2. authorizes the payment of administrative expenses, including such expenses for the closing of the Ancillary Receivership Proceeding;
3. terminates and closes the Ancillary Receivership Proceeding;
4. releases and discharges the Ancillary Receiver, her 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 Ancillary Receivership Proceeding; and

5. grants the Ancillary Receiver such other and further relief as the Court deems appropriate and just.

Dated: New York, New York
August 12, 2016



John Pearson Kelly
Assistant Special Deputy Superintendent and
Agent of Maria T. Vullo, Superintendent of
Financial Services of the State of New York
as Ancillary Receiver of First Sealord
Insurance Company

L19848/MAP

EXHIBIT A

**NEW YORK LIQUIDATION BUREAU
FIRST SEALORD SURETY, INC.
Losses, Loss Adjustment Expenses
and Administrative Expenses
from Inception to July 31, 2016**

New York Property/Casualty Insurance Security Fund	
Disbursements:	
Description	Total
Policyholder Claim Payments	557,815
Loss Adjustment Expense	90,496
Administrative Expenses	476,016
Total Disbursements	1,124,327

**NEW YORK LIQUIDATION BUREAU
FIRST SEALORD SURETY, INC.
Losses, Loss Adjustment Expenses
and Administrative Expenses
from Inception to July 31, 2016**

New York Property/Casualty Insurance Security Fund	
Disbursements:	
Loss and LAE	Total
Policyholder Claim Payments	557,815
Loss Adjustment Expense	90,496
TOTAL Loss and LAE	648,311
Administrative Expenses	
Employee Salaries	236,300
Employee Relations and Welfare	143,003
Rent and Related Expenses	49,240
Professional Services	7,605
General and Administrative Expenses	20,473
Other Miscellaneous Expenses	19,395
Total Administrative Expenses	476,016
TOTAL DISBURSEMENTS	1,124,327

EXHIBIT 3

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

DEC 6 2013

IN RE: First Sealord Surety, Inc., :
in Liquidation : 1 FSS 2012

ORDER

AND NOW, this 5th day of December, 2013, upon consideration of the Liquidator's Application to Establish a Claims Bar Date and for Approval of Notice of an Estimated Claim Value Process (Application), which is unopposed, it is hereby ORDERED that the Application is GRANTED, as follows:

1. February 7, 2014 is hereby established as a claims bar date ("Bar Date").
2. Any and all proofs of claim against the assets of First Sealord Surety, Inc. (FSSI), wherever and however those assets may be owned or held, directly or indirectly, must be filed with the Liquidator no later than February 7, 2014.
3. A claim against the assets of the FSSI estate must be made by way of a completed Proof of Claim form, together with the proofs supporting the claim. The Proof of Claim form attached as Exhibit C to the Application is hereby approved and should be utilized by any claimant who files after the date of this Order.
4. A Proof of Claim shall be deemed filed on the day it is received by the Liquidator, unless first class mail is utilized, in which case it will be deemed filed on the date of the postmark.
5. Any Proof of Claim filed after February 7, 2014 is untimely and shall be disallowed by the Liquidator without consideration of its merits. This Order

bars the filing of any such Proof of Claim after the February 7, 2014 Bar Date for any reason, including, without limitation, a reason constituting "good cause" under the late claims provisions of Article V of the Insurance Department Act of 1921, the discovery of information not previously known, and the fact that a claim was previously unmatured or contingent. Any claim is barred which does not ripen into a legal cause of action prior to the February 7, 2014 Bar Date, even though the claimant filed a Proof of Claim before the Bar Date. Notwithstanding the foregoing, if a claim first arises within the thirty (30) days prior to the February 7, 2014 Bar Date, the filing of a Proof of Claim should be allowed after the February 7, 2014 Bar date but only within thirty (30) days of when the claim arose.

6. The establishment of the February 7, 2014 Bar Date does not constitute the waiver of any defenses to individual Proofs of Claim. Any and all defenses to such claims remain available to FSSI and the Liquidator, including defenses otherwise based on the untimeliness of claims.

7. The February 7, 2014 Bar Date does not apply to, or affect in any way, claims, actions or rights of FSSI or the Liquidator.

8. The establishment of the February 7, 2014 Bar Date is not an opportunity to refile or reargue a claim previously filed with FSSI, and duplicative Proofs of Claim shall not be submitted. If duplicative Proofs of Claim are filed contrary to this Order, the Liquidator shall disallow them without further consideration of their merits.

9. The February 7, 2014 Bar Date shall not apply to routine administrative expense claims.

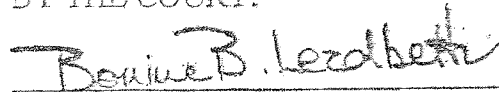
10. The February 7, 2014 Bar Date shall not apply to any claim by a guaranty association.

11. The Publication Notice attached to the Application as Exhibit B is hereby approved. The Liquidator shall cause a copy of the Publication Notice to be published in USA Today, The Wall Street Journal, the Philadelphia Inquirer and the Harrisburg Patriot, twice in each publication over a two-week period within thirty (30) days of this Order.

12. The Mailing Notice attached to the Application as Exhibit A, and as appropriately amended in view of this Order, is hereby approved. The Liquidator shall mail by first class mail, as soon as practicable after receipt of this Order, a copy of the mailing Notice to all insureds of record as of the date of the Liquidation Order (February 8, 2012) and to all other persons or entities that filed a Proof of Claim as referenced in paragraph 6 of the Liquidator's Application to establish a Claims Bar date.

13. The Notice of the proposed Estimated Claim Value Process, as amended and attached to this Order, is hereby approved. Fourteen (14) business days after the Claims Bar Date, the Liquidator shall mail, by first class mail, the Notice of the Proposed Estimated Claim Value Process to the holders of contingent and disputed claims and any pending claims that have resulted in an objection, as well as to any Referees who may be assigned.

BY THE COURT:



BONNIE BRIGANCE LEADBETTER,
JUDGE

Certified from the Record

DEC 05 2013

And Order Exit

**NOTICE TO CLAIMANTS
OF FIRST SEALORD SURETY, INC.
THAT POSSESS UNRESOLVED CLAIMS**

PLEASE TAKE NOTICE that Michael F. Consedine, in his official capacity as Insurance Commissioner of the Commonwealth of Pennsylvania, and as such, Statutory Liquidator of First Sealord Surety, Inc. (In Liquidation) ("FSSI") has filed an Application to Establish a Claims Bar Date and Approve Notice of an Estimated Claim Value Process ("Application"). This Notice pertains to the proposed establishment of an Estimated Claim Value Process (hereinafter sometimes referred to as "ECVP"). The ECVP consists of steps that differ from the rules governing corresponding steps in the normal course of a liquidation proceeding for claims submission, claims evaluation, acceptance/objection of claim evaluations by claimants, etc., as found in P.A.R.A.P. 3771-3784, which were adopted by Order of this Court dated June 8, 2012, to govern insurance rehabilitations and liquidations and all other matters under Article V of the Act. By proposing the establishment of the ECVP, the Liquidator is seeking the Court's permission to establish a special and discrete process within the FSSI liquidation proceeding aimed at the timely resolution of unresolved claims that remain following the passage of any Bar Date this Court establishes for the FSSI estate.

Specifically, the Liquidator is requesting that the Court approve the following with regard to the establishment of an Estimated Claims Value Process:

1. Claimants with contingent claims or claims that have been the subject of an objection to the Liquidator's evaluation, be directed to submit an estimation of the value of their claim, including documentation to support the value sought (hereinafter sometimes referred to as "estimated value claim" or "EVC") to the

Liquidator within 60 days from the date of any Order the Court may enter approving the Application. If a claimant does not submit an estimated value claim by that date, the claim will be evaluated at \$0 and will not be subject to further objection.

2. Following the receipt of an ECV, the Liquidator will provide the claimant with a written evaluation of their claim within 60 days.

3. Upon receipt of the Liquidator's evaluation, the claimant will be given 30 days to either accept the evaluation or object.

4. If the claimant objects and the Liquidator is unable to reach a resolution of the claim within 30 days, absent an agreement by the parties to extend the time to negotiate, the Liquidator will ask the Court to appoint a referee to review the positions of the parties and file a recommendation with the Court. Within 30 days of concluding any process or proceeding established by the referee to provide him/her with all the information he/she needs to conclude the matter, he/she will file a recommendation with the Court. Referees will be directed to expedite the proceedings to the extent possible. The parties may file exceptions within 14 days of receiving the referee's recommendation. Responses to exceptions and oral argument will not be permitted, unless requested by the Court. If it appears to be more practicable and administratively efficient, the Liquidator may seek the Court's approval to consolidate claims before one referee or appoint a master to handle all the objections.

5. With or without exceptions, the Court will review the referee's recommendation (or the recommendations of the master, as applicable) and enter a final order accepting, rejecting or modifying the recommendation, which will finalize the claim.

6. The claims that are currently before Referees are to be concluded in a time frame that will coordinate with the resolution of the ECV by having the Court enter an Order that provides a deadline by which the referee must submit a recommendation to the Court absent good cause shown by the Referee or the litigants.

TAKE FURTHER NOTICE that objections to the proposed establishment of an Estimated Claim Value Process must be filed in writing with the Commonwealth Court of Pennsylvania, Chief Clerk's Office, 601 Commonwealth Avenue, Suite 2100, P.O. Box 69185 Harrisburg, Pennsylvania 17106-9185, or with the Pennsylvania Insurance Department, Bureau of Liquidations Claims, 901 North 7th Street, Harrisburg, Pennsylvania 17102. In the event of such a filing, please refer to Docket No. 1 FSS 2012.

Objections must be filed within 30 days of the date of this Notice, or they shall be forever barred. Objections must be clearly and concisely written.

Copies of the Application are available to interested parties for inspection at the Commonwealth Court of Pennsylvania, Chief Clerk's Office, 601 Commonwealth Avenue, Suite 2100, Harrisburg, Pennsylvania 17106-9185; the Insurance Department, 901 North 7th Street, Harrisburg, Pennsylvania 17102. If you have any questions, please call the Bureau of Liquidation Claims, 901 North 7th Street, Harrisburg, Pennsylvania 17102, (717) 787-7823.

JOSEPH DIMEMMO,
Deputy Insurance Commissioner