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At IAS Part 21 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 80 Centre Street, in the County, City and State of New York, on the 15<sup>th</sup> day of September, 2014.

P R E S E N T:

HON. MICHAEL D STALLMAN, J.S.C.

In the Matter of

the Liquidation of

NEW YORK MERCHANT BAKERS  
INSURANCE COMPANY.

Index No.: 403106/97

ORDER TO SHOW CAUSE

Based on 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 New York Merchant Bakers Insurance Company ("NYMB"), duly verified the 11th day of September, 2014, and exhibits attached thereto, upon all other papers previously submitted and all proceedings heretofore had herein, and it appearing that the relief sought be granted;

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

LET all claimants and parties interested in the affairs of NYMB show cause before this Court at IAS Part 16, Room 130, thereof, at the Courthouse located at 80 Centre Street, New York, New York, on the 1<sup>st</sup> day of December, 2014 ("Return Date") at 9:30 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"), *inter alia*:  
(i) approving the Liquidator's report on the status of and request to close NYMB's 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 application to this Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of NYMB with allowed claims who are eligible to share in a *pro-rata* distribution, and to pay administrative expenses incurred in connection with the collection and disbursement of such assets; (v) 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; (vi) 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 NYMB without further order of this Court; and (vii) providing for such other and further relief as this Court deems appropriate and just.

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

*including the Notice (which shall be*  
ORDERED, that ~~notice of~~ the Verified Petition and this Order to Show Cause ~~shall be~~ *with exhibits,*  
substantially in the form attached as Exhibit 1 to the Verified Petition *shall be served* and ~~service shall be made~~

by: (i) posting on the Internet web page maintained by the New York Liquidation Bureau at *on or before September 23, 2014;*  
<http://www.nylb.org> ~~at least fifteen (15) days before the Return Date;~~ and (ii) mailing same by

*on or before October 1, 2014*

United States first class mail to NYMB's known creditors with allowed or unadjudicated claims;  
^  
and (iii) publication in *Business Insurance*, or a publication of similar circulation, such publication to occur in two consecutive publications commencing within the thirty (30) days following entry of this Order to Show Cause; and it is further

ORDERED, that the form and methods of service of notice specified herein are hereby approved as in accordance with the law and as the best notice practicable and shall therefore constitute due and sufficient notice of this Order to Show Cause and scheduled Return Date herein and the 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 (7) business 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 New York Merchant Bakers Insurance Company  
110 William Street  
New York, New York 10038  
Attention: John Pearson Kelly  
General Counsel

and by submitting copies of the Answering Papers, with affidavit of service on the Liquidator as above, to this Court at IAS *Motion submitted Part, Room 130* ~~Part 16~~ at the Courthouse located at 80 Centre Street, New York, New York, *on* ~~seven (7) business 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:



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J.S.C.  
HON. MICHAEL D. STALLMAN

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

-----X  
In the Matter of

Index No.: 403106/97

the Liquidation of

**VERIFIED PETITION**

NEW YORK MERCHANT BAKERS  
INSURANCE COMPANY.  
-----X

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as liquidator ("Liquidator") of New York Merchant Bakers Insurance Company ("NYMB"), 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 January 26, 1998, 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 NYMB and commencing this liquidation proceeding ("Liquidation Proceeding"). The Liquidator's report on the status of and request to close the Liquidation Proceeding ("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 NYMB.

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

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

3. On or about February 8, 2013, the Liquidator submitted a report and other papers ("2013 Report"), which updated this Court on the status of the Liquidation Proceeding and recommended, among other things, that this Court (1) authorize the Liquidator to distribute NYMB's assets, consistent with this Court's orders and the priorities of Insurance Law Section 7434, to those creditors of NYMB with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (2) establish a bar date ("Bar Date") for presentment of all claims other than claims for administrative costs and expenses; (3) authorize and direct the Liquidator to consider for allowance only those claims for actual losses incurred and arising under policies issued by NYMB that are presented to the Liquidator on or before the Bar Date; (4) bar and discharge all claims for losses reported after the Bar Date; and (5) authorize the continued payment of administrative costs and expenses. By order entered May 28, 2013, this Court approved the 2013 Report and established August 30, 2013 as the Bar Date. Pursuant to the 2013 Report and in compliance with this Court's subsequent orders, the Liquidator made two *pro-rata* distributions of NYMB's assets to its creditors with allowed claims, and barred and discharged all claims reported to the Liquidator after the Bar Date.

4. The Closing Report describes to the Court the status of the Liquidation Proceeding and informs the Court that the affairs of the NYMB 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. Additionally, the Liquidator shall be authorized, without further application to this Court, to receive assets of NYMB 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 those assets to those creditors of NYMB with allowed claims who are eligible to share in a *pro-rata* distribution.

6. This Verified Petition seeks the issuance of an order (“Order”) that: (i) approves the Closing Report and the financial transactions delineated therein; (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 application to this Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of NYMB with allowed claims who are eligible to share in a *pro-rata* distribution, and to pay administrative expenses incurred in connection with the collection and disbursement of such assets; (v) 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; (vi) 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 NYMB without further order of this Court; and (vii) provides for such other and further relief as this Court deems appropriate and just.

7. 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 NYMB's policyholders, creditors and 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 fifteen (15) days before the Return Date; (b) mailing same by United States first class mail to NYMB's known creditors with allowed or unadjudicated claims; and (c) publication in *Business Insurance*, or a publication of similar circulation, such publication to occur in two consecutive publications commencing within the thirty (30) days following entry of this Order to Show Cause such service shall be deemed good and sufficient service.

8. 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:

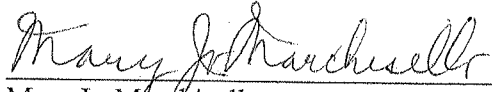
- a. approving the Closing Report and the financial transactions delineated therein;
- b. authorizing the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding;
- c. terminating and closing the Liquidation Proceeding;
- d. authorizing the Liquidator, without further application to this Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of NYMB with allowed claims



who are eligible to share in a *pro-rata* distribution, and to pay administrative expenses incurred in connection with the collection and disbursement of such assets;

- e. 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;
- f. 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 NYMB without further order of this Court; and
- g. providing for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York  
September 11, 2014

  
\_\_\_\_\_  
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 New  
York Merchant Bakers Insurance Company

L14921/MB

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

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

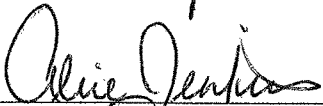
That she has read the foregoing Verified Petition, and that the same is true based upon information and belief as to those matters stated therein. Deponent further says that the sources of her information and the grounds of her belief as to the matters alleged therein are from or were derived from the files of New York Merchant Bakers 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 New York Merchant Bakers 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  
New York Merchant Bakers Insurance  
Company

Sworn to before me this  
11<sup>th</sup> day of September, 2014

  
Notary Public

Alice Jenkins  
Notary Public, State of New York  
No. 01JE6037989  
Qualified in New York County  
Commission Expires: March 06, 2018

# EXHIBIT 1

**IN THE MATTER OF THE LIQUIDATION OF  
NEW YORK MERCHANT BAKERS INSURANCE COMPANY**  
**Supreme Court County of New York**  
**Index No.: 403106/97**

**NOTICE**

Pursuant to an order of the Supreme Court of the State of New York, County of New York ("Court"), entered on January 26, 1998, the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of New York Merchant Bakers Insurance Company ("NYMB") and, as such, has been directed to take possession of NYMB'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 NYMB. 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 NYMB. 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 ("Closing Report") on the status of and request to close the NYMB liquidation proceeding ("Liquidation Proceeding") and the financial transactions delineated in such Closing 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 application to the Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of NYMB with allowed claims who are eligible to share in a *pro-rata* distribution, and to pay administrative expenses incurred in connection with the collection and disbursement of such assets; (v) 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; (vi) 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 NYMB without further order of the Court; and (vii) 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 \_\_\_\_: \_\_\_\_ a.m., before the Court at the Courthouse, IAS Part 21, 80 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 New York Merchant Bakers 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) 341-6809.

Dated: \_\_\_\_\_, 2014

BENJAMIN M. LAWSKY  
Superintendent of Financial Services of the  
State of New York as Liquidator of  
New York Merchant Bakers Insurance  
Company

# EXHIBIT 2

# **REPORT ON THE STATUS OF AND REQUEST TO CLOSE THE LIQUIDATION PROCEEDING OF NEW YORK MERCHANT BAKERS INSURANCE COMPANY**

## **INTRODUCTION**

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as liquidator ("Liquidator") of New York Merchant Bakers Insurance Company ("NYMB") has appointed Scott D. Fischer as Acting Special Deputy Superintendent and Agent of the Liquidator and other Agents, to carry out, through the New York Liquidation Bureau, 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 ("Closing Report") on the status of and request to close the NYMB liquidation proceeding ("Liquidation Proceeding").

This Court entered an order ("Liquidation Order") on January 26, 1998 ("Liquidation Order Date"), pursuant to which NYMB 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 NYMB. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of NYMB.

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

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

- e. Distributing NYMB's assets to creditors with allowed claims; and
- f. Otherwise liquidating NYMB'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 NYMB, a summary of the Liquidator's activities pursuant to the Liquidation Order and Insurance Law Article 74, the financial status of NYMB 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 application to this Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of NYMB with allowed claims who are eligible to share in a *pro-rata* distribution, and to pay administrative expenses incurred in connection with the collection and disbursement of such assets; (v) 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; (vi) 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 NYMB without further order of this Court; and (vii) provide for such other and further relief as this Court deems appropriate and just.



## **BACKGROUND**

NYMB was incorporated in New York as a mutual property and casualty company on June 6, 1932, and commenced business on May 4, 1933. On January 31, 1995, the New York State Insurance Department (“Insurance Department”)<sup>1</sup> gave approval to NYMB to convert to a stock property and casualty company under the ownership of Home State Holdings, Inc., a Delaware corporation.

By order, entered January 26, 1998, NYMB was placed into liquidation.

On or about February 8, 2013, the Liquidator submitted a report and other papers (“2013 Report”), which updated this Court on the status of the Liquidation Proceeding and recommended, among other things, that this Court (1) authorize the Liquidator to distribute NYMB’s assets, consistent with this Court’s orders and the priorities of Insurance Law Section 7434, to those creditors of NYMB with allowed claims, to the extent that, in the Liquidator’s discretion, sufficient funds are available; (2) establish a bar date (“Bar Date”) for presentment of all claims other than claims for administrative costs and expenses; (3) authorize and direct the Liquidator to consider for allowance only those claims for actual losses incurred and arising under policies issued by NYMB that are presented to the Liquidator on or before the Bar Date; (4) bar and discharge all claims for losses reported after the Bar Date; and (5) authorize the continued payment of administrative costs and expenses. As described more fully in the 2013 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

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<sup>1</sup> The New York State Department of Insurance was the regulatory state agency that preceded the New York State Department of Financial Services in responsibility for regulating insurance companies doing business in the State of New York.

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 May 28, 2013, this Court approved the 2013 Report and established August 30, 2013 as the Bar Date. Pursuant to the 2013 Report and in compliance with this Court's subsequent orders, the Liquidator made two *pro-rata* distributions of NYMB'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 July 31, 2014 ("Closing Date"), and therefore selected that date for closing NYMB's books.

#### **FINANCIAL CONDITION OF NYMB**

NYMB'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.

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

Based on the Liquidator's review of NYMB's records the Liquidator determined that NYMB had, as of the Liquidation Order Date, total assets in the amount of \$97,960,409, which consisted entirely of unrestricted assets. The \$97,960,409 in assets consisted of cash and equivalents in the amount of \$27,657,323, bonds with a fair market value of \$11,496,874, common stock with a fair market value of \$211,684, a receivable from affiliates in the amount of \$900,089, premiums in the course of collection in the amount of \$1,637,513, and other

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<sup>2</sup> As discussed in greater detail in the 2013 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.

miscellaneous assets in the amount of \$2,329,929. Additionally, NYMB was carrying reinsurance receivables on paid losses and paid loss adjustment expenses ("LAE") in the amount of \$4,490,021 and reinsurance recoverables on unpaid losses and unpaid LAE in the amount of \$49,236,976.

Based on the Liquidator's review of NYMB's records, the Liquidator determined that NYMB had, as of the Liquidation Order Date, total liabilities in the amount of \$98,822,818, which consisted of \$720,073 for secured claims, \$741,892 for the Rehabilitator's operating and administrative expenses, \$80,976,414 for the New York Property/Casualty Insurance Security Fund ("P/C Fund") and the New York Public Motor Vehicle Liability Security Fund ("PMV Fund") (collectively, the "Security Funds") as gross liability for loss claim reserves, \$4,462,240 reported as LAE, \$6,475,562 for unearned and advance premium claims, and \$5,446,637 in reinsurance liabilities. As of the Liquidation Order Date, NYMB was insolvent in the amount of \$862,409.

**B. As of the Closing Date**

As of the Closing Date, NYMB had total assets of \$0 and total liabilities of \$107,774,795, leaving NYMB insolvent in the amount of \$107,774,795.<sup>3</sup> NYMB's Financial Statements reflect the transactions described herein. *See* Exhibit A.

As of the Closing Date, NYMB's total liabilities of \$107,774,795 consisted of \$219,652 for administrative claims for the Liquidator (Class one claims) and \$103,544,494 for claims of policyholders and the Security Funds (Class two claims) as liabilities for loss, LAE and unearned premium. Additionally, NYMB's records reflect Class five creditor claims in the amount of

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<sup>3</sup> A significant portion of NYMB's insolvency as of the Closing Date is attributable to the \$207,751,366 in policyholder claims and related expenses which were paid by the Security Funds between the Liquidation Date and Closing Date. As indicated on the Financial Statements, the Security Funds had a claim against the NYMB estate for this amount.

\$482,493, Class six non-reinsurance related creditor claims in the amount of \$2,680,640, and Class six reinsurance claims in the amount of \$847,516. NYMB's Financial Statements reflect the transactions described herein. *See Exhibit A.*

**1. Collection of Assets**

*(a) Cash Receipts*

As of the Closing Date, the Liquidator collected assets in the amount of \$91,633,657, consisting of \$59,649,916 in reinsurance recoveries, \$879,234 in premiums and commissions, \$6,713,396 in salvage and subrogation recoveries, \$10,280,830 in litigation awards, and \$346,266 in miscellaneous receipts. The Liquidator invested NYMB's assets in cash and U.S. government bonds and agency securities, earning investment income in the amount of \$13,764,015.

*(b) Administrative Expense Reimbursement*

As of the Closing Date, the Liquidator received \$47,317,028 in reimbursement from the Security Funds for payment of LAE and administrative expenses incurred and paid by the Liquidator in connection with the administration of claims covered by Security Funds.

**2. Disbursement of Assets**

*(a) Expenses*

From the Liquidation Order Date through the Closing Date, the Liquidator has incurred and paid expenses in the amount of \$73,607,986, consisting of LAE and administrative expenses. These expenses include: \$21,689,841 for LAE, \$74,431 for salvage and subrogation fees, \$24,946,386 for the salaries of the Liquidator's staff, \$9,886,268 for employee relations and welfare (e.g., payroll taxes, health and pension contributions), \$6,169,372 for rent and related expenses, \$7,397,567 for professional fees (e.g., accountants, legal and other consultants),

\$2,182,456 for general and administrative expenses (*e.g.*, IT services and office supplies), and \$1,261,665 for miscellaneous expenses (*e.g.*, bank fees, insurance and closing costs).

Although the disbursement of administrative expenses set forth above totals \$73,607,986, \$47,317,028 of that total relates to those expenses that have been reimbursed by the Security Funds. Therefore, after offsetting the Security Funds' payments, total expenses associated with administering NYMB were \$26,290,958.

*(b) Transfer to Segregated Accounts*

The Liquidator transferred a total of \$332,405 of NYMB's assets to segregated accounts and subsequently released these assets to reinsurers.<sup>4</sup>

**3. Distribution of Assets**

Pursuant to orders of this Court and Insurance Law Article 74, the Liquidator made two *pro-rata* distributions to NYMB's creditors with allowed claims totaling \$104,376,175, which represents 50.20% of the amount of NYMB's allowed claims.

**THE LIQUIDATION PROCEEDING**

Based on the Liquidator's review, NYMB's books and records showed that there were 45,725 potential claims on the estate at the start of the Liquidation Proceeding. 26,104 of these potential claims were not further supported and did not become actual claims. 16,918 of the potential claims became actual claims that were handled by the Security Funds and are aggregated into each Security Funds' individual claim against the estate. Of the remaining potential claims, 1,337 were adjudicated during NYMB's liquidation proceeding, 1,314 were voided as duplicate filings and 21 claims were withdrawn by creditors and 31 claims (in classes

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<sup>4</sup> In the 2013 Report, the Liquidator reported that a total of \$512,602 was transferred to segregated accounts for payment of secured claims. Subsequent to the filing of the 2013 Report, the Liquidator determined that \$180,197 of this amount should be reclassified as general assets. Accordingly, the Liquidator included the \$180,197 in his *pro-rata* distributions to NYMB's creditors, leaving \$332,405 in the segregated accounts.

below Class two) remain open and unadjudicated because NYMB has insufficient assets to pay those claims.

The adjudicated claims that have been allowed by the Liquidator consist of 277 Class two claims (which include the PC and PMV Fund claims<sup>5</sup>) and 275 non-fund covered policy related claims<sup>6</sup>, 3 Class five claims and 205 Class six claims.<sup>7</sup> 852 claims were adjudicated and disallowed.

Throughout the Liquidation Proceeding and with this Court's approval, the Liquidator has distributed NYMB's assets to its Class one (liquidator's expenses) and Class two (policyholders and Security Funds) claimants. Distributions consist of cash payments from estate assets. Because NYMB's assets were insufficient to pay its Class two claimants in full, the Class two claimants were paid a percentage of their total claim. Therefore, the Class two claimants were paid 50.20% of their claim.

Because NYMB has insufficient assets to pay Class two claims in full, no distributions may be made to creditors with lower classed claims. *See* N.Y. Ins. L. §7434. Because all Class two claims have been adjudicated and because NYMB lacks the assets to make a distribution to the remaining classes of claims, the Liquidation Proceeding is now complete and may be terminated.

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<sup>5</sup> The PC Fund claim is the aggregate of all policyholder claims handled and paid from the PC Fund. The PMV Fund claim is the aggregate of all policyholder claims handled and paid from the PMV Fund.

<sup>6</sup> A non-fund-covered policy related claim is either a policy claim for a type of business not covered by the security funds, or is a claim for the excess of a claim over the \$1,000,000 limit of the security funds. In this instance the 275 non-fund covered policy related claims consisted primarily of returned premium claims.

<sup>7</sup> The allowed Class five and Class six claims were adjudicated prior to the classification scheme established by Section 7434 of the Insurance Law. In 1999, New York, joining other states, adopted a classification scheme prioritizing the claims of claimants/creditors and policyholders in liquidation proceedings. The new priority scheme created nine classes of creditors, replacing the prior scheme, which grouped most creditors in a single class. No distribution was made to the Class five and Class six claimants. After the adoption of the classification scheme, the Liquidator stopped adjudicating claims below Class two, *i.e.*, the remaining open 31 claims.

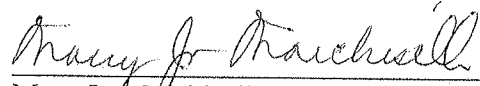
### RELIEF SOUGHT

The Liquidator submits this Closing Report in order to describe to the Court the status of the Liquidation Proceeding and to inform the Court that the affairs of the NYMB estate Liquidation Proceeding can be terminated. The Liquidator notes that the relief sought herein would, among others, authorize him without further application to the Court, to continue to receive assets, if any, of NYMB, 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 them to those creditors of NYMB 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 Assistant 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 application to this Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of NYMB with allowed claims who are eligible to share in a *pro-rata* distribution, and to pay administrative expenses incurred in connection with the collection and disbursement of such assets;
5. 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;

6. 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 NYMB without further order of this Court; and
7. Provides for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York  
September 11, 2014



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 New  
York Merchant Bakers Insurance Company

L14921/MBr



# EXHIBIT A

**NEW YORK MERCHANT BAKERS INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF ASSETS**

	Jul. 31, 2014	Jan. 26, 1998
<b>Unrestricted Assets</b>		
Cash-Unrestricted	-	\$ 27,657,323
Bonds	-	11,496,874
Preferred Stocks, and Common Stocks	-	211,684
Total Cash and Invested Assets	-	\$ 39,365,881
Reinsurance Recoverables on Paid Losses and LAE	\$ 21,339,014	4,490,021
Less: Allowance for Uncollectible Reinsurance Recoverable	\$ (21,339,014)	-
Net Reinsurance Recoverable on Paid Losses and LAE	-	4,490,021
Reinsurance Recoverables on Unpaid Losses and Unpaid LAE	-	\$ 49,236,976
Less: Allowance for Uncollectible Reinsurance Recoverable	-	-
Net Reinsurance Recoverable on Unpaid Losses and LAE	-	49,236,976
Premium and Commissions Receivable		1,637,513
Receivable from Affiliates	-	900,089
Accrued Investment Income	-	-
Other Assets	-	2,329,929
Total Unrestricted Assets	-	97,960,409
<b>Restricted Assets:</b>		
Restricted - Statutory Deposits in This or Other States	-	-
Restricted - Other	-	-
Total Restricted Assets	-	-
Total Assets	-	\$ 97,960,409

**NEW YORK MERCHANT BAKERS INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF LIABILITIES**

	Jul. 31, 2014	Jan. 26, 1998
Secured Claims	-	\$ 720,073
Class I - Administrative Claims:	\$ 219,652	741,892
Class II - Claims and Related Costs:		
Guaranty Fund Claims:		
Allowed Claims:		
Administrative Claims Expenses	-	-
Loss Adjustment Expenses (LAE)	\$ 49,867,787	-
Loss Claims	150,519,434	-
Unearned and Advance Premium Claims	7,364,145	-
Total Allowed Claims	207,751,366	-
Less Advance Dividends	(104,291,185)	-
Total Allowed Claims	103,460,181	-
Non - Allowed Claims:		
Administrative Claims Expenses	-	-
Loss Adjustment Expenses (LAE)	-	\$ 4,462,240
Loss Claim Reserves	-	80,976,414
Unearned and Advance Premium Claims	-	6,475,562
Total Non-Allowed Claims	-	\$ 91,914,216
Total Guaranty Fund Claims:	103,460,181	91,914,216
Creditor Claims:		
Allowed Claims:		
Loss Claims	13,039	-
Unearned and Advance Premium Claims	156,264	-
Total Allowed Claims	169,303	-
Less Dividends	(84,990)	-
Total Allowed Claims	\$ 84,313	-
Non - Allowed Claims:		
Loss Claims Reserves	-	-
Unearned and Advance Premium Claims	-	-
Loss Adjustment Expenses (LAE)	-	-
Total Non-Allowed Claims	-	-
Total Creditor Claims	84,313	-
IBNR	-	-
Total Class II Claims and Related Costs:	\$ 103,544,494	\$ 91,914,216
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	-	-

**NEW YORK MERCHANT BAKERS INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF LIABILITIES (Continued)**

	Jul. 31, 2014	Jan. 26, 1998
<b>Class V - State and Local Government Claims:</b>		
Allowed Claims:	\$ 120,038	-
Less: Dividends	-	-
Total Allowed Claims	120,038	-
Non - Allowed Claims	362,455	-
Total Class V Claims	482,493	-
<b>Class VI - General Creditors:</b>		
Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	1,161,597	-
Less: Dividends	-	-
Total Allowed Claims	1,161,597	-
Non Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	1,519,043	-
Total General Unsecured Creditor Claims (Other than Reinsurance Related)	2,680,640	-
Reinsurance Related Unsecured Claims	847,516	\$ 5,446,637
Less: Dividends	-	-
Total Reinsurance Related Unsecured Claims	\$ 847,516	\$ 5,446,637
Total Class VI Claims	\$ 3,528,156	\$ 5,446,637
<b>Class VII - Late Filed Claims:</b>		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class VII Claims	-	-
<b>Class VIII - Section 1307 (Shareholder) Loans:</b>		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class VIII Claims	-	-
<b>Class IX - Share Holder Claims:</b>		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class IX Claims	-	-
<b>Other Liabilities</b>	-	-
<b>Total Liabilities</b>	<u>107,774,795</u>	<u>98,822,818</u>
<b>TOTAL DEFICIT</b>	<u>\$ (107,774,795)</u>	<u>\$ (862,409)</u>

**NEW YORK MERCHANT BAKERS INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS**  
**FOR THE PERIOD FROM JANUARY 26, 1998 TO JULY 31, 2014**

		Inception to JUL. 31, 2014
<b>Receipts</b>	Investment Income	13,764,015
	Reinsurance Recovered	59,649,916
	Premiums and Commissions	879,234
	Salvage and Subrogation	6,713,396
	Litigation Awards	10,280,830
	Expense Reimb Receipts from New York Security Funds	47,317,028
	Miscellaneous	346,266
<b>Total Receipts</b>		<b>138,950,685</b>
<b>Disbursements</b>	Early Access Distribution	104,376,175
	Transfer to Segregated Accounts	332,405
	Loss Adjustment Expenses	21,689,841
	Salvage and Subrogation fees	74,431
	Salaries	24,946,386
	Employee Relations & Welfare	9,886,268
	Rent and Related Expenses	6,169,372
	Professional Fees	7,397,567
	General and Administrative Expenses	2,182,456
	Other Miscellaneous Expenses	1,261,665
<b>Total Disbursements</b>		<b>178,316,566</b>
<b>Net Increase (Decrease) in Cash and Invested Assets</b>		<b>(39,365,881)</b>
<b>BEGINNING CASH AND INVESTED ASSETS - JANUARY 26, 1998</b>		<b>39,365,881</b>
<b>Unrealized Gain on Investments</b>		<b>-</b>
<b>ENDING CASH AND INVESTED ASSETS - JULY 31, 2014</b>		<b>\$ -</b>

Index No. 403106

Year 1997

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

In the Matter of

the Liquidation of

NEW YORK MERCHANT BAKERS INSURANCE COMPANY.

**ORDER TO SHOW CAUSE AND VERIFIED PETITION**

**JOHN PEARSON KELLY**

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

*Office and Post Office Address, Telephone*

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

**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: September, 2014  
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.

, on

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

Dated:

Yours, etc.

**JOHN PEARSON KELLY**

Attorney for Superintendent of Financial Services  
of the State of New York as Liquidator  
*Office and Post Office Address, Telephone*  
New York Liquidation Bureau  
110 William Street  
New York, NY 10038  
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