

IN PARTI MOTION OFFICE
APPROVED
FOR THE PAYMENT
OF MOTION FEE
ONLY

M.S. #08
ART 74

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 11th day of
December, 2013.

PRESENT:

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

In the Matter of

the Liquidation of

REALM NATIONAL INSURANCE COMPANY.

RECEIVED

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NEW YORK
COUNTY CLERK'S OFFICE

13M29651

Index No.: 401876/2005

ORDER TO SHOW CAUSE

Based on the verified petition ("Verified Petition") of John Pearson Kelly, Assistant Special Deputy Superintendent and Agent of Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York, as liquidator ("Liquidator") of Realm National Insurance Company ("Realm"), duly verified the 6th day of December 2013, and the exhibit attached thereto, upon all other papers previously submitted and all proceedings heretofore had herein, and it appearing that the relief sought should be granted;

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

LET all claimants and all interested in the affairs of Realm show cause before this Court at IAS Part 21 thereof, at the Courthouse located at 80 Centre Street, New York, New York, on the 3rd day of March, 2014 ("Return Date") at 9³⁰ 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"): (i) approving the Liquidator's Report on the Status of the

NO FEE

Liquidation of Realm National Insurance Company ("Liquidation Proceeding") and Request for Authority to Distribute Assets and Establish a Cut-Off Date ("Report") and the financial transactions delineated therein; (ii) establishing ^{July 31,} ~~March 31,~~ 2014 as the cut-off date, the final date by which the Liquidator must actually receive in respect of any claim presented prior to January 31, 2014 (the "Bar Date" established in this proceeding by order of this Court entered on November 15, 2013) any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim; (iii) barring and discharging all claims, other than claims for administrative expenses reported after the Bar Date; (iv) authorizing the continued payment of administrative expenses; (v) authorizing the Liquidator to distribute Realm's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Realm with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (vi) extending judicial immunity to the Liquidator of Realm, his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; 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

^{service}
ORDERED, that ~~notice~~ of this Order to Show Cause and Verified Petition shall be ^{made} ~~substantially in the form attached hereto and service shall be made by:~~ (i) posting on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org> at least ⁶⁰ ~~60~~ days prior to the Return Date; and (ii) publication ^{of the Notice} in *Business Insurance* or *Insurance Advocate*,

as provided herein, and that the Notice shall be in substantially the form of the attached page. This Order to Show Cause is but conforming to the Order to Show Cause; 12/13/13

Verified Cause and Petition with exhibit and the Notice

or a publication of similar circulation, once per week for two consecutive publications as soon as practical in light of the publication schedule of such publication; and it is further

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

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

Superintendent of Financial Services of the State of New York as
Liquidator of Realm National Insurance Company
110 William Street
New York, New York 10038
Attention: General Counsel

and by submitting copies of the Answering Papers, with affidavit of service on the Liquidator as above, to this Court at IAS Part 21 at the Courthouse located at 80 Centre Street, New York, New York, *at least seven days prior to the Return Date*; and it is further

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

ORDERED, that any person or entity that fails to serve Answering Papers as provided herein shall be deemed to have waived any objections to the relief sought in the Verified Petition

and shall be barred from raising objections in this or any other proceeding concerning the matters set forth herein; and it is further

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

ENTER:



J.S.C.

**IN THE MATTER OF THE LIQUIDATION OF
REALM NATIONAL INSURANCE COMPANY
Supreme Court County of New York
Index No.: 401876/05**

NOTICE

Pursuant to an order of the Supreme Court of the State of New York, County of New York ("Court"), entered on June 15, 2005, the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of Realm National Insurance Company ("Realm") and, as such, have been directed to take possession of Realm'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 Realm. The Liquidator has, pursuant to Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent, as his agent to carry out the responsibilities of the Liquidator, through the New York Liquidation Bureau, 110 William Street, New York, New York 10038. The Liquidator has submitted to the Court a verified petition ("Verified Petition") seeking an order: (i) approving the Liquidator's Report on the Status of the Liquidation of Realm National Insurance Company ("Liquidation Proceeding") and Request for Authority to Distribute Assets and Establish a Cut-Off Date ("Report") and the financial transactions delineated therein; (ii) establishing July 31, 2014 as the cut-off date, the final date by which the Liquidator must actually receive in respect of any claim presented prior to January 31, 2014 (the "Bar Date" established in the Liquidation Proceeding by order of the Court entered on November 15, 2013) any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim; (iii) barring and discharging all claims, other than claims for administrative expenses reported after the Bar Date; (iv) authorizing the continued payment of administrative expenses; (v) authorizing the Liquidator to distribute Realm's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Realm with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (vi) extending judicial immunity to the Liquidator of Realm, his successors in office and their agents and employees, for any cause of action of any nature against them individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and (vii) providing for such other and further relief as this Court deems appropriate and just;

A hearing is scheduled on the Verified Petition on the 3 day of March, 2014, at 9:30 a.m., before the Honorable Michael D. Stallman, JSC, New York Supreme Court at the Courthouse, IAS Motion Submission Part, Room 130, 60 Centre Street, in the County, City and State of New York, 10013.

If you wish to object to the relief sought, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator and Clerk of the Court, at least seven days prior to the hearing. Service on the Liquidator shall be made by first class mail at the following address:

Superintendent of Financial Services of the State of New York as
Liquidator of Realm National Insurance Company
110 William Street
New York, New York 10038
Attention: General Counsel

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

Requests for further information should be directed to the New York Liquidation Bureau, Creditor and Ancillary Operations Division, at (212) 341-6588.

Dated: December 16, 2013

Benjamin M. Lawsky
Superintendent of Financial Services of the
State of New York as Liquidator of
Realm Insurance Company of New York

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

-----X
In the Matter of

Index No.: 401876/05

the Liquidation of

VERIFIED PETITION

REALM NATIONAL INSURANCE COMPANY.
-----X

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

1. On June 15, 2005, this Court issued an order (“Liquidation Order”) appointing the then-Superintendent of Insurance of the State of New York (“Superintendent of Insurance”) and his successors in office as Liquidator of Realm and commencing this liquidation proceeding (“Liquidation Proceeding”). The Liquidator’s Report on the Status of the Liquidation Proceeding and Request for Authority to Distribute Assets and Establish a Cut-Off Date (“Report”) is attached hereto as Exhibit 1. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Realm.

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 Realm’s policyholders and claimants;
- b. Notifying Realm’s creditors, policyholders, creditors, claimants and other interested persons to present their claims;
- c. Marshaling Realm’s assets;

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

3. On or about July 17, 2013, the Liquidator submitted a motion ("Bar Date Motion") seeking an order establishing a bar date ("Bar Date") for the presentment to the Liquidator of all claims against Realm or its insureds other than the Liquidator's claims for administrative expenses. By order entered November 15, 2013, this Court approved the Bar Date Motion and established January 31, 2014 as the Bar Date.

4. The Report sets forth the results of the Liquidator's efforts to identify Realm's creditors and collect assets. In the Report, the Liquidator seeks approval to distribute Realm's assets consistent with this Court's orders and the priorities of Insurance Law Section 7434.

5. This Verified Petition seeks the issuance of an order ("Order") that: (i) approves the Report and the financial transactions delineated therein; (ii) establishes March 31, 2014 as the final date ("Cut-Off Date") by which the Liquidator must actually receive in respect of any claim presented prior to the Bar Date any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim; (iii) bars and discharges all claims, other than claims for administrative expenses reported after the Bar Date; (iv) authorizes the continued payment of administrative expenses; (v) authorizes the Liquidator to distribute Realm's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Realm with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (vi) extends judicial immunity to the Liquidator of Realm, his successors in office and their agents and employees,

for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and (vii) provides for such other and further relief as this Court deems appropriate and just.

6. The Liquidator also requests that this Court issue the accompanying Order to Show Cause approving: (i) a return date (“Return Date”) no more than 30 days after the date of issuance of the Order to Show Cause for a hearing (“Hearing”) on the Verified Petition to be held before this Court; (ii) the form of notice to be given to Realm’s policyholders, claimants, 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://www.nylb.org> at least 15 days before the Hearing; and (b) publication in the *Business Insurance* or *Insurance Advocate* or a publication of similar circulation, once per week for two consecutive publications as soon as practical in light of the publication schedule of such publication.

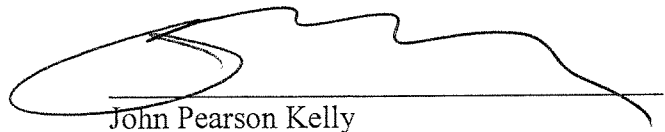
7. No previous application for the relief sought herein has been made to this or any court or judge thereof.

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

- a) Approving the Report and the financial transactions delineated therein;
- b) Establishing March 31, 2014 as the Cut-Off Date, the final date by which the Liquidator must actually receive in respect of any claim presented prior to the Bar Date any and all evidence demonstrating (a) that such claim has been liquidated, and (b) that there has been actual loss and/or payment in respect of such claim;
- c) Barring and discharging all claims, other than claims for administrative expenses, reported after the Bar Date;

- d) Authorizing the continued payment of administrative expenses;
- e) Authorizing the Liquidator to distribute Realm's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Realm with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available;
- f) Extending judicial immunity to the Liquidator of Realm, his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and
- g) Providing for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York
December 6, 2013



John Pearson Kelly
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawskey,
Superintendent of Financial Services of
the State of New York as Liquidator of
Realm National Insurance Company

[illegible]


John Pearson Kelly, 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 Realm National 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 Realm National Insurance Company.

~~John Pearson Kelly~~
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawskey,
Superintendent of Financial Services of
the State of New York as Liquidator of
Realm National Insurance Company

Sworn to before me this
6th day of December 2013



Notary Public

Victor J. D'Angelo
Notary Public, State of New York
No. 02DA6082375
Qualified in Nassau County
Commission Expires October 21, 2014

**REPORT ON THE STATUS OF THE LIQUIDATION OF
REALM NATIONAL INSURANCE COMPANY AND REQUEST
FOR AUTHORITY TO DISTRIBUTE ASSETS AND
ESTABLISH A CUT-OFF DATE**

INTRODUCTION

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York as liquidator (“Liquidator”) of Realm National Insurance Company (“Realm”) has appointed Michael J. Casey as Acting Special Deputy Superintendent and Agent of the Liquidator and other Agents, to carry out, through the New York Liquidation Bureau (“NYLB”), the responsibilities of the Liquidator. The Liquidator, by John Pearson Kelly, Assistant Special Deputy Superintendent and Agent (“Assistant Special Deputy”), hereby submits this Liquidator’s report on the status of the Realm liquidation proceeding (“Liquidation Proceeding”) and requests the authority to distribute assets and for the establishment of a cut-off date (“Report”).

This Court entered an order (“Liquidation Order”) on June 15, 2005 (“Liquidation Order Date”), pursuant to which Realm 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 Realm. A copy of the Liquidation Order is attached hereto as Exhibit A. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Realm.

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

- a. Identifying Realm’s policyholders and claimants;
- b. Notifying Realm’s creditors, claimants and other interested parties to present their claims;
- c. Marshaling Realm’s assets;

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

The Liquidator has been discharging his responsibilities since the Liquidation Order Date. This Report sets forth a history of Realm, a summary of the Liquidator's activities pursuant to the Liquidation Order and Insurance Law Article 74, the financial status of Realm and the basis for the Liquidator's recommendations to: (i) approve the Report on the status of the Realm Liquidation Proceeding and the financial transactions delineated herein; (ii) establish March 31, 2014 as the final date ("Cut-Off Date") by which the Liquidator must actually receive in respect of any claim presented prior to January 31, 2014 (the "Bar Date" established in this proceeding by order of this Court entered on November 15, 2013) any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim; (iii) bar and discharge all claims, other than claims for administrative expenses, reported after the Bar Date; (iv) authorize the continued payment of administrative expenses; (v) authorize the Liquidator to distribute Realm's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Realm with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (vi) extend judicial immunity to the Liquidator, his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and (vii) provide for such other and further relief as this Court deems appropriate and just.

BACKGROUND

Realm, through its predecessors, was incorporated in the State of New York on March 12, 1892. Realm was licensed to provide the types of insurance now set forth in the following numbered paragraphs of Insurance Law Section 1113(a):

<u>Paragraph</u>	<u>Type of Insurance</u>
3(i)	Accident and Health
4	Fire
5	Miscellaneous Property Damage
6	Water Damage
7	Burglary and Theft
8	Glass
9	Boiler and Machinery
10	Elevator
11	Animal
12	Collision
13	Personal Injury
14	Property Damage Liability
15	Workers' Compensation and Employers' Liability
16	Fidelity and Surety
17	Credit
19	Motor Vehicle and Aircraft Physical Damage
20	Marine and Inland Marine
21	Marine Protection and Indemnity
24	Credit Unemployment

Realm was authorized to transact such workers' compensation insurance as may be incident to coverage contemplated under paragraphs 20 and 21 of Section 1113(a), including insurance as described in the Long Shore and Harbor Workers' Compensation Act. In addition Realm was licensed to write special risk insurance subject to the provisions of Insurance Law Article 63.

On April 12, 2003, the then-New York State Department of Insurance ("Insurance Department")¹ conducted an examination of Realm's condition and affairs. In a letter dated December 14, 2003, the Insurance Department found that Realm's surplus was impaired.

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

Thereafter, Realm filed its annual statement with the Insurance Department, which showed that Realm was insolvent and was unable to pay claims.

On June 8, 2005, Realm's board of directors adopted a resolution that consented to the entry of an order of liquidation. On June 15, 2005, Realm was placed into liquidation and the Superintendent of Insurance and his successors in office were appointed Liquidator. *See Exhibit A.*

FINANCIAL CONDITION OF REALM AS OF THE LIQUIDATION ORDER DATE

The Liquidator conducted a review of Realm's financial position as of the Liquidation Order Date and found that Realm had assets totaling \$31,569,113 and liabilities totaling \$49,770,790, making it insolvent in the amount of \$18,201,677.

A. Assets

As of the Liquidation Order Date, Realm had total cash and invested assets in the amount of \$2,708,945, which consisted of cash and equivalents in the amount of \$49,999, bonds with a fair market value of \$1,640,946, real estate investments with a fair market value of \$1,018,000, and \$553,309 in miscellaneous assets (*e.g.* receivable from risk pools, furniture and fixtures, electronic data processing equipment and other miscellaneous assets). Additionally, Realm was carrying a reinsurance recoverable on its paid losses and loss adjustment expenses ("LAE") in the amount of \$4,773,265, a reinsurance recoverable on its unpaid losses and unpaid LAE in the amount of \$21,525,048, and recorded \$2,008,546 in statutory deposits held by other states.

B. Liabilities

As of the Liquidation Order Date, Realm's records reflected total liabilities in the amount of \$49,770,790, which consisted of \$161,865 owed to secured creditors, \$503,283 for administrative expenses, \$42,877,778 in loss reserves, \$6,196,907 in an LAE reserve, and \$30,957 in obligations under reinsurance agreements.

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

LIQUIDATION PROCEEDING

A. Presentment of Claims

Pursuant to the Liquidation Order, within four weeks of its entry, the Liquidator published notice of Realm's Liquidation Proceeding in the *New York Times, National Edition*, the *Journal of Commerce*, and in publications of newspapers in the capital cities of each state in the United States where Realm was licensed to do business, once a week for two consecutive weeks, advising of the Liquidator's obligations as identified in the Liquidation Order.

All persons having filed claims within the statutorily mandated period, pursuant to Insurance Law Section 7432, and all persons, pursuant to Insurance Law Section 7433(b)(2), appearing on Realm's books and records as policyholders or claimants ("Identified Claimants"), are deemed to have a timely-filed proof of claim in this Liquidation Proceeding. For an Identified Claimant, being on the books and records secures the right to submit an actual claim in this Liquidation Proceeding and, if and when such actual claim is adjudicated and deemed allowed, possibly receive payment on that claim under Insurance Law Article 74.

On or about July 17, 2013, the Liquidator submitted a motion ("Bar Date Motion") seeking an order establishing January 31, 2014 as the Bar Date for the presentment to the Liquidator of all claims against Realm or its insureds other than the Liquidator's claims for administrative expenses. By order entered November 15, 2013, this Court approved the Bar Date Motion and set January 31, 2014 as the Bar Date for the presentment of claims in this proceeding.

B. Adjudication of Claims

The Liquidator is responsible for adjudicating the claims presented to Realm. A claim is “adjudicated” upon the Liquidator’s recommendation to the Court that the claim be either “allowed” or “disallowed.” An “allowed” claim is a claim that has been approved by a liquidation court and the claimant is therefore allowed to share in the distribution of assets pursuant to Insurance Law Section 7434. A “disallowed” claim is a claim that has been rejected and the claimant will not share in any distribution of the estate’s assets. Pursuant to orders issued by this Court setting forth procedures for allowing and disallowing claims and appointing a referee, creditors who object to the Liquidator’s recommendations are entitled to a hearing before the Court or a court-appointed referee.

C. Description of Classes of Creditors

The priority of distribution of assets from a liquidating insurer is set forth by Insurance Law Section 7434, which provides that all members of a senior class be paid in full before members of the next class may receive any payment. Section 7434(a)(1) provides in pertinent part:

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

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

- (i) Class one. Claims with respect to the actual and necessary expenses of administration incurred by a liquidator or rehabilitator.

- (ii) Class two. All claims under policies, including claims of federal, state or local government for losses incurred, third party claims, claims for unearned premiums, and all claims of security funds or guaranty associations, but excluding claims under reinsurance contracts.
- (iii) Class three. Claims of the federal government, except those under Class two.
- (iv) Class four. Claims for wages owing to employees of an insurer against whom an Article 74 proceeding is commenced and claims for unemployment insurance contributions required by Article 18 of the New York Labor Law.
- (v) Class five. Claims of state and local governments, except those under Class two.
- (vi) Class six. Claims of general creditors, including but not limited to claims arising under reinsurance contracts.
- (vii) Class seven. Claims filed late or any other claims other than claims stated in Class eight or Class nine below.
- (viii) Class eight. Claims for advanced or borrowed funds made pursuant to Insurance Law Section 1307.
- (ix) Class nine. Claims of shareholders or other owners in their capacity as shareholders.

D. Current Status of Claims Presented

As described above, the Liquidator adjudicates those claims that are presented to him. In analyzing such claims, the Liquidator determines the class of claim and whether he concludes that such claim may be eligible for payment out of various funds maintained by the states for the

payment of claims against insolvent insurance carriers. In general, the funds are state-administered reserves of money, provided by insurers operating in that state, from which claims against insolvent insurers are paid up to the lesser of the policy limit or a statutory cap. Such funds exist to ameliorate the impact of an insurer's insolvency. Those funds then have a separate claim against the insolvent insurer's estate in the amount of the claims paid by the funds.

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

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

Based upon proofs of claim and/or claims actually submitted to the Liquidator, the following chart shows the approximate number of claims presented to the Liquidator and the submitted and adjudicated claims in the Liquidation Proceeding:

	As of September 30, 2013 (numbers are cumulative, unless noted otherwise)
Claims presented to the Liquidator	4294
Class 1	N/A
Class 2	3561 ³
Class 3	0
Class 4	7
Class 5	29
Class 6	693
Class 7	2
Class 8	N/A
Class 9	N/A
Claims adjudicated by the Liquidator	73
Claims disallowed or recommended for disallowance by the Liquidator	57
Claims allowed or recommended for allowance by the Liquidator	16
Class 1	N/A
Class 2	16
Class 3	0
Class 4	0
Class 5	0
Class 6	0
Class 7	0
Class 8	0
Class 9	0

1. Value and Payment of Claims

a) Class One Claims

From the Liquidation Order Date through September 30, 2013, the Liquidator has incurred and paid administrative expenses in the amount of \$8,801,524.

³ Of the 3561 total claims, 3442 were Identified Claimants who never presented an actual claim to be adjudicated.

b) Class Two Claims

i. Total Value of All Class Two Claims

All of the Class two claims that have been filed in the Liquidation Proceeding as of September 30, 2013 and reserves that were established in respect thereof amount to \$99,935,172. Such claims, if allowed, will remain unpaid until all other class two claims reported prior to the Bar Date have been adjudicated.

ii. Non-Security/Guaranty Fund Eligible Claims of Policyholders

The Class two claims that have been filed in the Liquidation Proceeding as of September 30, 2013 that are not eligible for payment from the Security Funds and/or the Guaranty Funds, amount to \$528,763.

iii. Claims of Security Fund

The Security Funds have claims against Realm, as of September 30, 2013, in the amount of \$43,003,475. In addition, the Security Funds have claims for loss, LAE and administrative expenses that have not yet been allowed in the amount of \$1,040,652 and carry loss, LAE and administrative expense reserves for as yet unpaid claims totaling \$9,771,637.

iv. Guaranty Funds Claims

As of September 30, 2013, there are 14 claims, including loss, LAE and administrative expenses of the Guaranty Funds, ten of which have been allowed in the total amount of \$14,027,965, less advances and recoveries retained by the Guaranty Funds in the amount of \$273,576 for a net due to the Guaranty Funds in the amount of \$13,754,389. In addition, the Guaranty Funds have loss, LAE and administrative expense claims that have not yet been allowed in the amount of \$2,560,294 and carry loss, LAE and administrative expense reserves for as yet unpaid claims totaling \$29,275,962.

c) The Remaining Classes of Claims

There are seven Class four, twenty-nine Class five, six hundred ninety-three Class six, and two Class seven claims presented in the Liquidation Proceeding in the amounts of \$2,616, \$61,013, \$18,364,198, and \$401, respectively. Realm has insufficient assets to pay Class two claims in full, therefore, to maximize the assets of the estate, the remaining classes of claims will not be further adjudicated unless it appears that the estate will have sufficient assets to pay Class two claims in full.

E. Financial Condition of Realm as of September 30, 2013

As of September 30, 2013, Realm had total assets of \$8,491,558 and total liabilities of \$122,701,902, leaving Realm insolvent in the amount of \$114,210,344. Realm's financial statements reflect the transactions described herein. *See* Exhibit B.

1. Assets

As of September 30, 2013, Realm had total assets of \$8,491,558, which consisted of cash and cash equivalents of \$5,141,958, bonds with a fair market value of \$1,373,795, real estate investments with a fair market value of \$357,358, a receivable from affiliates totaling \$600,000, accrued investment income totaling \$6,742, miscellaneous assets totaling \$171,730 (*e.g.* receivable from risk pools and other miscellaneous assets), statutory deposits held by other states totaling \$634,245 and other similarly restricted assets in the amount of \$205,730.

2. Liabilities

As of September 30, 2013, Realm's total liabilities were \$122,701,902, of which \$326,945 are obligations to secured creditors, \$4,011,557 are Class one liabilities for operating and administrative expenses; \$99,935,172 are Class two liabilities, *i.e.*, policy-related claims; \$2,616 are Class four liabilities *i.e.*, employee claims; \$61,013 are Class five liabilities, *i.e.*, state

and local government claims; \$18,364,198 are Class six liabilities *i.e.*, general creditor claims; and \$401 are Class seven liabilities, *i.e.* late filed claims. *See* Exhibit B.

3. Collection of Assets

(a) Cash Receipts

As of September 30, 2013, the Liquidator had collected assets in the amount of \$12,679,611 consisting of \$758,318 in investment income, \$6,754,429 in reinsurance recoveries, \$3,595,798 in salvage and subrogation recoveries, \$531,280 in premiums and commissions, and \$1,039,786 in miscellaneous receipts.

(b) Administrative Expense Reimbursement

As of September 30, 2013, the Liquidator had received \$2,549,357 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 the Security Funds.

(c) Receipt from Statutory Deposits

As of September 30, 2013, the Liquidator had received \$986,044 from the release of statutory deposits held by other state insurance departments and/or ancillary receivers.

4. Disbursement of Assets

(a) Central Disbursement Account ("CDA")

The Liquidator has disbursed a total of \$300,000 of Realm's assets, which represents a cash advance from Realm to the CDA. The Liquidator uses the funds in the CDA to pay administrative expenses on behalf of Realm.

(b) Expenses

From the Liquidation Order Date through September 30, 2013, the Liquidator has incurred and paid expenses in the amount of \$11,350,881, consisting of LAE and

administrative expenses. These expenses include: \$752,158 for LAE, \$5,342,707 for the salaries of the Liquidator's staff, \$1,839,549 for employee relations and welfare (*e.g.*, payroll taxes, health insurance and pension contributions), \$1,324,544 for rent and related expenses, \$867,864 for professional fees (*e.g.*, accountants, legal and other consultants), \$488,963 for general and administrative expenses (*e.g.*, IT services and office supplies), \$27,061 for salvage and subrogation collection fees and \$708,035 for miscellaneous expenses (*e.g.*, insurance, property and other taxes, costs to dispose of real estate assets and other miscellaneous expenses).

Of the administrative expenses paid, \$2,549,357 has been reimbursed by the Security Funds.

(c) Segregated Accounts

The Liquidator has transferred a total of \$164,916 of Realm's assets to a segregated account for the payment of secured claims.

5. Payments to Claimants

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

ESTABLISHMENT OF A CUT-OFF DATE

Insurance Law Article 74 envisions that the distribution of the assets of an insolvent insurer will strike "a reasonable balance between the expeditious completion of the liquidation and protection of unliquidated and undetermined claims." Ins. L. § 7434(a)(1). Establishing the January 31, 2014 Bar Date greatly assists in striking that balance. The Bar Date will enable the Liquidator to determine the *maximum number* of all claims against Realm and help project a

timeline for the closure of the estate. Establishing the Cut-Off Date, by which all claimants who submitted claims prior to the Bar Date are required to provide proof that the claim is liquidated, allowable and in what amount, will provide the Liquidator with the total *amount* and *actual number* of claims eligible to share in a distribution of estate assets. This additional information will move the estate much further toward completion than the Bar Date alone.

The establishment of a bar date is in accordance with Insurance Law Section 7417, which vests courts with authority to grant such relief as the nature of the case and the interests of policyholders, creditors and the public may require. This authority encompasses the establishment of bar dates to facilitate the efficient closure of an estate in order to preserve and maximize the assets available to pay all classes of creditors with allowed claims. *See e.g., In the Matter of Dominion Ins. Co.*, Index No., 40924/1986 (Sup. Ct., N.Y. Co., April 5, 1999) (liquidation court approving bar dates); *In the Matter of Ideal Mutual Ins. Co.*, Index No. 40275/1985 (Sup. Ct. N.Y. Co., Dec. 9, 2003) (same).

This Court has held that the establishment of bar date for the presentment of claims is necessary to complete the liquidation of an insurer and, in addition, a cut-off date “must be set for the submission of evidence in support of the allowance of a claim to prompt claimants to submit detailed claims data to the Liquidator.” *In re Liquidation of Midland Ins. Co.*, 32 Misc.3d 1211(A), 2011 WL 2652564, *6 (Sup. Ct. N.Y. Co., Jun. 27, 2011). Without the detailed claims data to indicate whether a claim presented has been liquidated and no longer contingent, the Liquidator will not know whether the claimant may share in a distribution of estate assets. If the Liquidator cannot know the total number of claimants and the amount of the claim, he will be unable to distribute all of the estate’s assets to claimants as he will always require some reserve amount to address the unliquidated claims. The result will be an open-ended liquidation

proceeding that ignores the requirement of “expeditious completion” and exists solely for the “protection of unliquidated and undetermined claims.”

NOTICE

The Liquidator proposes to give notice of the Cut-Off Date to all persons having filed proofs of claim or Identified Claimants by publishing a notice (“Notice”), in substantially the form annexed as Exhibit C, in *Business Insurance* or *Insurance Advocate*, or a publication of similar circulation, once per week for two consecutive publications as soon as practical in light of the publication schedule of such publication. The Liquidator will also post the Notice on the Internet web page maintained by the NYLB at <http://www.nylb.org>, within fifteen (15) days following the entry of an order granting the relief sought in the Verified Petition.

RELIEF SOUGHT

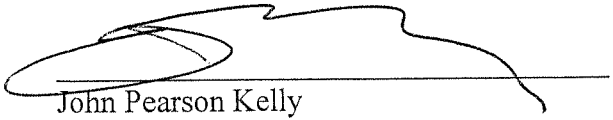
The Liquidator submits this Report to describe to this Court the status of the Realm Liquidation Proceeding and receive authorization to distribute assets of the estate and establish the Cut-Off Date. In support of the Liquidator’s recommendations stated herein, the Liquidator has submitted to this Court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

- a. Approves this Report and the financial transactions delineated herein;
- b. Establishes March 31, 2014 as the Cut-Off Date, the final date by which the Liquidator must actually receive in respect of any claim presented prior to Bar Date any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim;
- c. Bars and discharges all claims, other than claims for administrative expenses, reported after the Bar Date;
- d. Authorizes the continued payment of administrative expenses;

- e. Authorizes the Liquidator to distribute Realm's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Realm with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available;
- f. Extends judicial immunity to the Liquidator of Realm, his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and
- g. Provides for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York

December 6, 2013



John Pearson Kelly
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawskey,
Superintendent of Financial Services of the
State of New York as Liquidator of Realm
National Insurance Company

L13599/LMR

EXHIBIT A

At IAS Part 7 of the Supreme Court of the State of New York, County of New York at the Courthouse, 111 Centre Street, New York, New York on the 15 day of June 2005.

PRESENT:

HON. FAVIOLA SOTO,

JUSTICE

-----X
In the Matter of

Index No.: 401876/05

the Application of

ORDER OF LIQUIDATION

HOWARD MILLS, Superintendent of Insurance of the State of New York, for an order to take possession of and liquidate the business and affairs of and dissolve

REALM NATIONAL INSURANCE COMPANY

FILED

JUN 15 2005

COUNTY CLERK'S OFFICE
NEW YORK

Petitioner, Howard Mills, Superintendent of Insurance of the State of New York

(the "Superintendent"), having moved this court for an order to take possession of the property of and liquidate the business and affairs and dissolve the corporate charter of Realm National Insurance Company ("REALM");

NOW, upon reading and filing the petition of the Superintendent, duly verified on the 10th day of June, 2005, the exhibits annexed thereto; the emergency affidavit of Howard Mills, dated June 10, 2005; and it appearing to my satisfaction that:

1. REALM is a New York corporation, with its principal office in New York County;
2. REALM is insolvent;

3. REALM has consented to an order of liquidation being entered against it in the Supreme Court, County of New York;

4. REALM is amenable to the Insurance Law of the State of New York and particularly to Article 74 thereof;

5. REALM should be dissolved and its corporate charter annulled and forfeited.

6. It is impossible to reinsure in whole or in part the existing policy obligations of REALM pursuant to Section 7405 (c) of the Insurance Law;

7. REALM is in such condition that its further transaction of business would be hazardous to its policyholders, creditors or to the public;

8. It is in the best interest of all persons concerned that the Superintendent be directed to take possession of the property and liquidate the business and affairs and dissolve the corporate charter of REALM.

NOW, on motion of the Honorable Eliot Spitzer, Attorney General of the State of New York, it is hereby ORDERED as follows:

1. The petition is granted;
2. REALM is insolvent;
3. The Superintendent, and his successors in office as Superintendent, are appointed liquidator of REALM, authorized and directed to immediately take possession of its property, are vested with title to its property, contracts and rights of action and directed to liquidate its business and affairs in accordance with Article 74 of the Insurance Law. The Superintendent as Liquidator may deal with the property and business of REALM in its name or in the name of the Superintendent, as Liquidator;
4. In accordance with Insurance Law § 7432 (b), all claims against REALM must be presented to the Superintendent, as Liquidator, within four months of the date of entry of this order;

5. In accordance with Insurance Law § 7433 (b)(2), all persons who appear on REALM's books and records as policyholders or claimants as of the date of entry of this order shall be deemed to have duly filed proofs of claim prior to the last day set for filing claims;
6. All former policyholders of REALM whose policies expired within three (3) years of the date of entry of this order shall be deemed to have duly filed a proof of claim prior to the last day set for filing claims;
7. The Superintendent, as Liquidator, shall provide notice, by publication in the New York Times, National Edition and the Journal of Commerce once a week for two consecutive weeks commencing within three weeks of entry of this order, to all other creditors, claimants and interested persons to present claims within four months of the date of entry of this order;
8. The Superintendent, as Liquidator, shall provide notice by publication in one newspaper in the capital cities of each state in the United States wherein REALM is licensed to do business, once a week for two successive weeks within the period allowed for the presenting of claims, the newspaper to be selected by the Liquidator at his discretion;
9. In the event one or more Insurance Departments and/or Guaranty Funds or Associations of foreign states, that have adopted the Uniform Insurers Liquidation Act, in which REALM was licensed to do business, desire to give formal notice to policyholders and creditors in their respective State Insurance Departments or Guaranty Fund or Association, the Superintendent, as Liquidator, may permit the giving of such notice as he in his discretion may find desirable;
10. The notice prescribed herein is sufficient notice to all persons interested in REALM;
11. All outstanding insurance policies, bonds, and other insurance obligations, if any, issued and undertaken by REALM shall terminate and all liability thereunder shall cease and be fixed as of 12:01 a.m. on the thirtieth day after entry of this order or upon cancellation or procurement of replacement policies, bonds or insurance coverage, whichever is earlier;

12. In accordance with Insurance Law § 7405, all other contracts, leases, tax sharing agreements, employment contracts, and obligations of REALM, however described, shall terminate and all liability thereunder shall cease and be fixed as of the date of entry of this order unless ratified by the Superintendent, as Liquidator;
13. The Superintendent, as Liquidator, is relieved of the provisions set forth in Section 7405(c) of the Insurance Law to reinsure in whole or in part the policy obligations of REALM;
14. The Superintendent, as Liquidator, is authorized, permitted and allowed to sell, assign, or transfer any and all real or personal property, stocks, bonds or securities of REALM at market price or better, or if there is no market price, at the best price obtainable at private sale at such times and upon such terms and conditions, as in his discretion, he deems is in the best interest of the creditors of REALM, and he is further authorized to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers, and assignments;
15. REALM, its officers, directors, depositories, trustees, agents, servants, employees, attorneys, and all other persons, having any property or records belonging or relating to REALM, including, but not limited to insurance policies, loss, claim or legal files are directed to assign, transfer, set over and deliver to the Superintendent, as Liquidator, all such property or records;
16. Any persons, firms, corporations, or associations having any books, papers or records relating to the business of REALM shall preserve them and submit them to the Superintendent, as Liquidator, for examination and copying at all reasonable times;
17. The officers, directors, shareholders, trustees, agents, servants, employees, attorneys, and managers of REALM, and all other persons are permanently enjoined and restrained from the transaction of REALM's business, the waste or disposition of its property, interfering with the Superintendent, as Liquidator, in the possession, control and management of the property of REALM or in the discharge of his duties;
18. All persons are permanently enjoined and restrained from commencing or prosecuting any actions or proceedings against REALM, the Superintendent, as Liquidator of REALM, or the New York Liquidation Bureau, its employees, attorneys and agents with respect to claims against REALM;

19. All persons are permanently enjoined and restrained from obtaining preferences, judgments, attachments or other liens, or making any levy against REALM's assets or any part thereof;
20. All parties to lawsuits in this state and all other states and territories of the United States, are hereby enjoined and restrained from proceeding with, including but not limited to, any discovery, pre-trial conferences, trial, application for judgment or proceeding on judgments or settlements in such actions at law, suits in equity, special or other proceedings in which REALM is obligated to defend by virtue of its insurance contract and any and all actions being defended by a primary or other underlying insurer where such primary or underlying insurer has tendered or offered its full policy limits or where said policy limits have been exhausted by payment of the underlying insurer's aggregate and REALM is the next excess of umbrella layer of insurance for a period of 180 days from the date hereof;
21. Those persons who may have first-party or New York Comprehensive Automobile Insurance Reparations Act (No-Fault) policyholder loss claims against REALM coming within the purview of Article 76 of the Insurance Law are enjoined from presenting and filing such claims in this proceeding for 90 days from the date of entry of this order;
22. The corporate charter of REALM is relinquished, forfeited, surrendered and annulled, and REALM is dissolved;
23. The Superintendent of Insurance as Liquidator, may at any time make further application to this court for such further and different relief as he sees fit;
24. All further papers in this proceeding shall bear the caption:

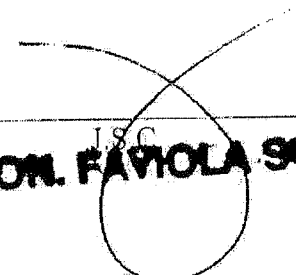
"In the Matter of

the Liquidation of

REALM NATIONAL INSURANCE COMPANY"

25. The Superintendent, as Liquidator, shall serve a conformed copy of this order upon the county clerk and the clerk of the trial support office for amendment of the court and computer records.

ENTER


JSC
HON. FAVIOLA SOTO

FILED
JUN 15 2005
COUNTY CLERK'S OFFICE
NEW YORK

30.

Please take notice that the within is a true copy of duly filed and entered in the office of the clerk of the day of 20 County, on the

Yours, etc.,
ELIOT SPITZER
Attorney General,
Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271
To
Attorney for

Sir
Please take notice that the within will be presented for settlement and signature herein to the HON. one of the judges of the within named Court, at in the Borough of City of New York, on the 200. at A. M. day of

Date, N.Y.,
Yours, etc.,
ELIOT SPITZER
Attorney General,
Attorney for
Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To:

RECEIVED
2002 51 NOV
ESQ. HOWARD MILLS
COUNTY ALBANY

In the Matter of
the Application of

HOWARD MILLS, Superintendent of Insurance of the State of New York, for an order to take possession of and liquidate the business and affairs of and dissolve

REALM NATIONAL INSURANCE COMPANY

ORDER OF LIQUIDATION

ELIOT SPITZER
Attorney General

Attorney for the Superintendent of
Insurance

Office and Post Office Address
120 Broadway, New York, N.Y. 10271
Tel. (212) 416-8658

Personal service of a copy of

within..... day of
is admitted this..... day of
.....20

EXHIBIT B

REALM NATIONAL INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF ASSETS

	Sep. 30, 2013	June. 15, 2005
Unrestricted Assets		
Cash-Unrestricted	\$ 5,141,958	\$ 49,999
Short-Term Investments	-	-
Bonds	1,373,795	1,640,946
Preferred Stocks, and Common Stocks	<u>-</u>	<u>-</u>
Total Cash and Invested Assets	\$ 6,515,753	\$ 1,690,945
Real Estate	357,358	1,018,000
Reinsurance Recoverables on Paid Losses and LAE	7,407,690	4,773,265
Less: Allowance for Uncollectible Reinsurance Recoverable	<u>(7,407,690)</u>	<u>-</u>
Net Reinsurance Recoverable on Paid Losses and LAE	-	4,773,265
Reinsurance Recoverables on Unpaid Losses and Unpaid LAE	9,183,583	\$ 21,525,048
Less: Allowance for Uncollectible Reinsurance Recoverable	<u>\$ (9,183,583)</u>	<u>-</u>
Net Reinsurance Recoverable on Unpaid Losses and LAE	-	21,525,048
Receivable from Affiliates	600,000	-
Accrued Investment Income	6,742	-
Other Assets	<u>171,730</u>	<u>553,309</u>
Total Unrestricted Assets	7,651,583	29,560,567
Restricted Assets:		
Restricted - Statutory Deposits in This or Other States	634,245	2,008,546
Restricted - Funds held by or deposited with Reinsurance Co.	-	-
Restricted - Other	<u>205,730</u>	<u>-</u>
Total Restricted Assets	<u>839,975</u>	<u>2,008,546</u>
Total Assets	\$ 8,491,558	\$ 31,569,113

REALM NATIONAL INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF LIABILITIES

	Sep. 30, 2013	June. 15, 2005
Secured Claims	\$ 326,945	\$ 161,865
Class I - Administrative Claims:	4,011,557	503,283
Class II - Claims and Related Costs:		
Guaranty Fund Claims:		
Allowed Claims:		
Administrative Claims Expenses	\$ 1,100,026	-
Loss Adjustment Expenses (LAE)	13,724,728	-
Loss Claims	42,143,065	-
Unearned and Advance Premium Claims	<u>63,621</u>	<u>-</u>
Total Allowed Claims	57,031,440	-
Less Advance Dividends	<u>(273,576)</u>	<u>-</u>
Total Allowed Claims	56,757,864	-
Non - Allowed Claims:		
Administrative Claims Expenses	6,966,135	-
Loss Adjustment Expenses (LAE)	1,975,323	\$ 6,196,907
Loss Claim Reserves	33,707,087	42,877,778
Unearned and Advance Premium Claims	<u>-</u>	<u>-</u>
Total Non-Allowed Claims	42,648,545	\$ 49,074,685
Total Guaranty Fund Claims:	99,406,409	49,074,685
Creditor Claims:		
Allowed Claims:		
Loss Claims	-	-
Unearned and Advance Premium Claims	<u>-</u>	<u>-</u>
Total Allowed Claims	-	-
Less Dividends	<u>-</u>	<u>-</u>
Total Allowed Claims	-	-
Non - Allowed Claims:		
Loss Claims Reserves	528,763	-
Unearned and Advance Premium Claims	-	-
Loss Adjustment Expenses (LAE)	<u>-</u>	<u>-</u>
Total Non-Allowed Claims	528,763	-
Total Creditor Claims	528,763	-
IBNR	<u>-</u>	<u>-</u>
Total Class II Claims and Related Costs:	99,935,172	\$ 49,074,685
Class III - Federal Government Claims:		
Allowed Claims:	-	-
Less: Dividends	<u>-</u>	<u>-</u>
Total Allowed Claims	-	-
Non - Allowed Claims	<u>-</u>	<u>-</u>
Total Class III Claims	-	-
Class IV - Employee Claims:		
Allowed Claims:	-	-
Less: Dividends	<u>-</u>	<u>-</u>
Total Allowed Claims	-	-
Non - Allowed Claims	\$ 2,616	-
Total Class IV Claims	\$ 2,616	-

REALM NATIONAL INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF LIABILITIES (Continued)

	Sep. 30, 2013	June. 15, 2005
Class V - State and Local Government Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	\$ 61,013	-
Total Class V Claims	\$ 61,013	-
 Class VI - General Creditors:		
Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	12,050	-
Less: Dividends	-	-
Total Allowed Claims	12,050	-
Non Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	14,486,904	-
Total General Unsecured Creditor Claims (Other than Reinsurance Related)	14,498,954	-
Reinsurance Related Unsecured Claims	3,865,244	\$ 30,957
Less: Dividends	-	-
Total Reinsurance Related Unsecured Claims	3,865,244	\$ 30,957
Total Class VI Claims	18,364,198	\$ 30,957
 Class VII - Late Filed Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	\$ 401	-
Total Class VII Claims	401	-
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	<u>122,701,902</u>	<u>49,770,790</u>
TOTAL DEFICIT	<u>\$ (114,210,344)</u>	<u>\$ (18,201,677)</u>
 Total Liabilities and Liquidator's Surplus (Deficit)	<u>\$ 8,491,558</u>	<u>\$ 31,569,113</u>

REALM NATIONAL INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS
FOR THE PERIOD FROM JUNE 15, 2005 TO SEPTEMBER 30, 2013

		Inception to SEP. 30, 2013
Receipts	Investment Income	758,318
	Reinsurance Recovered	6,754,429
	Premiums and Commissions	531,280
	Salvage and Subrogation	3,595,798
	Released from Statutory Deposits	986,044
	Expense Reimb Receipts from New York Security Funds	2,549,357
	Miscellaneous	1,039,786
Total Receipts		16,215,012
Disbursements	Fund Transferred to Collateral Accounts	164,916
	Deposit with Central Disbursement Account	300,000
	Loss Adjustment Expenses	752,158
	Salvage and Subrogation fees	27,061
	Salaries	5,342,707
	Employee Relations & Welfare	1,839,549
	Rent and Related Expenses	1,324,544
	Professional Fees	867,864
	General and Administrative Expenses	488,963
	Other Miscellaneous Expenses	708,035
Total Disbursements		11,815,797
Net Increase (Decrease) in Cash and Invested Assets		4,399,215
BEGINNING CASH AND INVESTED ASSETS - JUNE 15, 2005		2,708,945
Unrealized Gain on Investments		(235,049)
ENDING CASH AND INVESTED ASSETS - SEPTEMBER 30, 2013	\$	6,873,111

EXHIBIT C

**IN THE MATTER OF THE LIQUIDATION OF
REALM NATIONAL INSURANCE COMPANY**

Supreme Court County of New York

Index No.: 401876/05

NOTICE

Pursuant to an order of the Supreme Court of the State of New York, County of New York, entered on March 15, 2005 ("Liquidation Order"), the Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of Realm National Insurance Company ("Realm") and, as such, has been directed to take possession of Realm's property, liquidate its business and affairs, and dissolve its corporate charter 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 Realm. The Liquidator has, pursuant to Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent ("Acting Special Deputy"), as his agent to liquidate the business of Realm. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038.

PLEASE TAKE NOTICE that the Supreme Court of the State of New York, County of New York, has issued an order, dated _____, 201____, establishing March 31, 2014, as the cut-off date, the final date by which the Liquidator must actually receive in respect of any claim presented prior to January 31, 2014 (the "Bar Date" established in the proceeding by order of the Court entered on November 15, 2013) any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor and Ancillary Operations Division, at (212) 341-6588.

Dated: _____, 201____

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

Index No.: 401876/2005

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

In the Matter of

the Liquidation of

REALM NATIONAL INSURANCE COMPANY

ORDER TO SHOW CAUSE AND VERIFIED PETITION

JOHN PEARSON KELLY

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

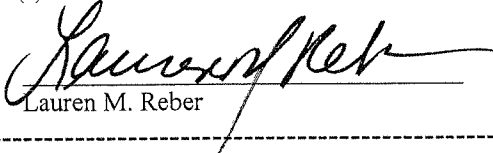
Office and Post Office Address, Telephone

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

ATTORNEY CERTIFICATION

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

Dated: Dec. 6, 2013
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
settlement to the HON.

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

Dated:

, on

Yours, etc.

JOHN PEARSON KELLY

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

Office and Post Office Address, Telephone

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