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At IAS Part 44 of the Supreme Court of the State of New York, County of New York, at the courthouse at 60 Centre Street, in the County, City and State of New York, on the 27<sup>th</sup> day of October, 2014.

PRESENT:

HON. MILTON TINGLING, J.S.C. OFFICE

In the Matter of

the Ancillary Receivership of

SECURITY INDEMNITY INSURANCE COMPANY.

Index No.: 402613/04

ORDER TO SHOW CAUSE

Based on the verified petition ("Verified Petition") of Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent of Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as ancillary receiver ("Ancillary Receiver") of Security Indemnity Insurance Company ("Security Indemnity"), duly verified the 24<sup>th</sup> day of October, 2014, and the 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 Ancillary Receiver, and after due deliberation having been had thereon,

LET all claimants and all parties interested in the affairs of Security Indemnity show cause before this Court at IAS Part 44, Room 321, thereof, at the Courthouse located at 60 Centre Street in the City, County and State of New York, on the 8 day of December, 2014 ("Return Date") at 9:30 o'clock in the    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*: (1) approving the Ancillary Receiver’s report on the status of and request to close the Security Indemnity, ancillary receivership proceeding (“Ancillary Receivership Proceeding”) and the financial transactions delineated in such report; (2) authorizing the continued payment of administrative expenses, including such expenses pertaining to the closing of the Ancillary Receivership Proceeding; (3) terminating and closing the Ancillary Receivership Proceeding; (4) releasing and discharging the Ancillary Receiver, 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 Ancillary Receivership Proceeding; (5) authorizing the New York Liquidation Bureau (“NYLB”) to receive and disburse to (a) the New York Property/Casualty Insurance Security Fund (“P/C Fund”) and/or (b) the New York Public Motor Vehicle Liability Security Fund (“PMV Fund” and, together with the P/C Fund, the “Security Funds”) (each established pursuant to Insurance Law Article 76), any future distributions from the Commissioner of Banking and Insurance of the State of New Jersey as domiciliary receiver of Security Indemnity (“Liquidator”) in payment of amounts owed to the Security Funds, as applicable, in each case (i) without further application to this Court and (ii) after deducting all administrative expenses incurred in connection with such receipt and disbursement; (6) authorizing and directing the Ancillary Receiver, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Security Indemnity in his possession, including transferring them to the Liquidator, without further order of this Court; and (7) 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

ORDERED, that service of a copy of this order to show cause and the papers upon which it is granted be made on the Liquidator by serving a copy thereof by overnight mail upon Michelina A. Lombardo, Deputy Liquidator, Security Indemnity Insurance Company, in Liquidation, 3 Wing Drive, Suite 260, P.O. Box 554, Cedar Knolls, New Jersey 07927-0554, on or before the 29<sup>th</sup> day of October, 2014, and such service shall be deemed good and sufficient service; and it is further

ORDERED, that notice of the Verified Petition and this Order to Show Cause shall be substantially in the form attached as Exhibit 1 to the Verified Petition and service shall be made to Security Indemnity's policyholders, claimants, creditors and all other interested parties (in each case, domiciled in the State of New York) by: (i) posting on the Internet web page maintained by the NYLB at <http://www.nylb.org> at least fifteen (15) days before the Return Date; and (ii) publication in *The New York Times*, Local Edition, or a newspaper of similar circulation, such publication to occur in two consecutive weeks 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 Ancillary Receiver so as to be

received at least seven (7) business days prior to the Return Date, and that service on the Ancillary Receiver shall be made by first class mail at the following address:

Superintendent of Financial Services of the State of New York  
as Ancillary Receiver of Security Indemnity Insurance Company  
110 William Street  
New York, New York 10038  
Attention: John Pearson Kelly  
General Counsel

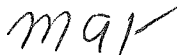
and by submitting copies of the Answering Papers, with affidavit of service on the Ancillary Receiver as above, to this Court at IAS Part 44, Room 321 at the Courthouse located at 60 Centre Street in the County, City and State of New York, seven (7) business days before the Return Date; and it is further

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.

E N T E R



J. S. C.

Judge Milton A. Tingling

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

-----X  
In the Matter of

Index No.: 402613/04

the Ancillary Receivership of

**VERIFIED PETITION**

SECURITY INDEMNITY INSURANCE COMPANY.  
-----X

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as ancillary receiver ("Ancillary Receiver") of Security Indemnity Insurance Company ("Security Indemnity"), has appointed agents to carry out, through the New York Liquidation Bureau ("NYLB"), the responsibilities of the Ancillary Receiver. The Ancillary Receiver, by Mary Jo Marchisello, Assistant Special Deputy Superintendent and agent of the Ancillary Receiver, respectfully makes the following petition upon information and belief, including the affidavit of Gail Pierce-Siponen, Director of Creditor and Ancillary Operations of the NYLB, attached hereto as Exhibit 2:

1. On June 30, 2004, Security Indemnity, a New Jersey property and casualty insurance company licensed to transact insurance business in the State of New York, was placed into liquidation in the State of New Jersey ("Liquidation Proceeding") and the New Jersey Commissioner of Banking and Insurance was appointed domiciliary liquidator of Security Indemnity ("Liquidator").

2. On October 6, 2004, this Court issued an order ("Ancillary Order") appointing the then-Superintendent of Insurance of the State of New York and his successors in office as Ancillary Receiver of Security Indemnity and commencing this ancillary receivership proceeding ("Ancillary Receivership Proceeding"). See Exhibit A of the Ancillary Receiver's Report on the Status of and Request to Close the Ancillary Receivership Proceeding of Security Indemnity

("Closing Report"), attached hereto as Exhibit 3. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Ancillary Receiver of Security Indemnity.

3. The Closing Report describes to the Court the status of the Ancillary Receivership and informs the Court that the affairs of the Security Indemnity estate permit final administrative expenses to be paid and termination of the Ancillary Receivership Proceeding.

4. The Ancillary Receiver has complied with the directives of the Ancillary Order. The Ancillary Receivership Proceeding has been completed and the Ancillary Receiver has fulfilled the purposes for which the Ancillary Receivership Proceeding was commenced. Therefore, it is respectfully submitted that the Closing Report and the financial transactions delineated in such Closing Report should be approved, the Ancillary Receiver, his predecessors and successors in office, and their agents, attorneys and employees, should be discharged and the Ancillary Receivership Proceeding should be terminated and closed. Additionally, the NYLB should be authorized to receive and disburse to New York Property/Casualty Insurance Security Fund ("P/C Fund") and/or the New York Public Motor Vehicle Liability Security Fund ("PMV Fund" and, together with the P/C Fund, the "Security Funds") (each established pursuant to Article 76 of the New York Insurance Law ("Insurance Law")), any future distributions received from the Liquidator in payment of amounts owed to the Security Funds, as applicable, in each case without further application to this Court and after deducting all administrative expenses incurred in connection with such receipt and disbursement.

5. This Verified Petition seeks the issuance of an order that (a) approves the Closing Report and the financial transactions delineated in such Closing Report; (b) authorizes the continued payment of administrative expenses, including such expenses pertaining to the closing of the Ancillary Receivership Proceeding; (c) terminates and closes the Ancillary Receivership

Proceeding; (d) releases and discharges the Ancillary Receiver, 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 Ancillary Receivership Proceeding; (e) authorizes the NYLB to receive and disburse to the Security Funds any future distributions from the Liquidator in payment of amounts owed to the Security Funds, as applicable, in each case (i) without further application to this Court and (ii) after deducting all administrative expenses incurred in connection with such receipt and disbursement; (f) authorizes and directs the Ancillary Receiver, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Security Indemnity in his possession, including transferring them to the Liquidator, without further order of this Court; and (g) provides for such other and further relief as this Court deems appropriate and just.

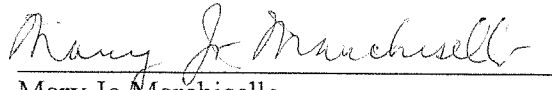
6. The Ancillary Receiver also requests that this Court issue the accompanying Order to Show Cause approving: (i) a return date (“Return Date”) for a hearing (“Hearing”) on the Verified Petition to be held before this Court at least thirty (30) days after the date of issuance of the Order to Show Cause; (ii) the form of notice to be given to Security Indemnity’s policyholders, creditors and other interested parties (in each case, domiciled in the State of New York) 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 and (b) publication in *The New York Times*, Local Edition, or a newspaper of similar circulation, such publication to occur in two consecutive weeks commencing within the thirty (30) days following entry of the Order to Show Cause, such service shall be deemed good and sufficient service.

7. 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:

- (1) approving the Closing Report and the financial transactions delineated in such report;
- (2) authorizing the continued payment of administrative expenses, including such expenses pertaining to the closing of the Ancillary Receivership Proceeding;
- (3) terminating and closing the Ancillary Receivership Proceeding;
- (4) releasing and discharging the Ancillary Receiver, 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 Ancillary Receivership Proceeding;
- (5) authorizing the NYLB to receive and disburse to the Security Funds any future distributions from the Liquidator in payment of amounts owed to the Security Funds, as applicable, in each case (a) without further application to this Court and (b) after deducting all administrative expenses incurred in connection with such receipt and disbursement;
- (6) authorizing and directing the Ancillary Receiver, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Security Indemnity in his possession, including transferring them to the Liquidator, without further order of this Court; and
- (7) providing for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York  
October 24, 2014

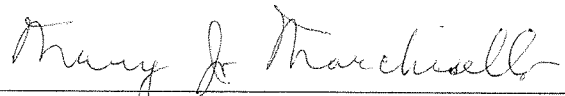
  
Mary Jo Marchisello  
Assistant Special Deputy Superintendent  
and Agent of Benjamin M. Lawsky,  
Superintendent of Financial Services of the  
State of New York as Ancillary Receiver of  
Security Indemnity Insurance Company

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

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

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

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 Ancillary Receiver of Security Indemnity 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 Ancillary Receiver of  
Security Indemnity Insurance Company

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



Notary Public

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

# **EXHIBIT 1**

**IN THE MATTER OF THE ANCILLARY RECEIVERSHIP OF  
SECURITY INDEMNITY INSURANCE COMPANY**

**Supreme Court County of New York**

**Index No.: 402613/04**

**NOTICE**

Pursuant to an order of the Supreme Court of the State of New York, County of New York ("Court"), entered October 6, 2004, the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as ancillary receiver ("Ancillary Receiver") of Security Indemnity Insurance Company ("SIIC") and, as such, was directed to take possession of SIIC's property located in the State of New York pursuant to Article 74 of the New York Insurance Law ("Insurance Law"), deal with SIIC's property and business, take and preserve all other assets and claims comprising SIIC's property and protect the same for the benefit of SIIC's creditors, policyholders and other interested parties located in the State of New York. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Ancillary Receiver of SIIC. The Ancillary Receiver has, pursuant to Article 74 of the Insurance Law, appointed Scott D. Fischer, Acting Special Deputy Superintendent ("Acting Special Deputy"), as his agent for the ancillary receivership of SIIC. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau ("NYLB"), which is located at 110 William Street, New York, New York 10038. The Ancillary Receiver has submitted to the Court a verified petition ("Verified Petition") seeking an order: (i) approving the Ancillary Receiver's report ("Report") on the status of and request to close SIIC's ancillary receivership proceeding ("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 Proceeding; (iii) terminating and closing the Proceeding; (iv) releasing and discharging the Ancillary Receiver, 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 Proceeding; (v) authorizing the NYLB to receive and disburse to the New York Property/Casualty Insurance Security Fund ("P/C Fund"), and/or the New York Public Motor Vehicle Liability Security Fund ("PMV Fund" and, together with the P/C Fund, the "Security Funds")(each established pursuant to Insurance Law Article 76) any future distributions from the Commissioner of Banking and Insurance of the State of New Jersey as domiciliary receiver of SIIC ("Liquidator") in payment of amounts owed to the Security Funds, as applicable, in each case (a) without further application to this Court and (b) after deducting all administrative expenses in connection with such receipt and disbursement; (vi) authorizing and directing the Ancillary Receiver, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of SIIC in his possession, including transferring them to the Liquidator, without further order of this Court; and (vii) providing for such other and further relief as the Court deems appropriate and just.

The Return Date on the Verified Petition is scheduled for the \_\_\_\_ day of \_\_\_\_, 201\_, at \_\_\_\_:\_\_\_\_ a.m., at the Courthouse, 60 Centre Street, Submissions Part Room 130, in the County, City and State of 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 Ancillary Receiver and Clerk of the Court, at least seven (7) business days prior to the Return

Date. Service on the Ancillary Receiver shall be made by first class mail at the following address:

Superintendent of Financial Services of the State of New York as  
Ancillary Receiver of Security Indemnity Insurance Company  
Attention: General Counsel  
110 William Street  
New York, New York 10038

The Verified Petition and Report are available for inspection at <http://www.nylb.org> and 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 at (212) 341-6857.

Dated: [Insert Date], 2014

BENJAMIN M. LAWSKY  
Superintendent of Financial Services of the  
State of New York as Ancillary Receiver  
of Security Indemnity Insurance Company

# **EXHIBIT 2**

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

-----X

In the Matter of

Index No.: 402613/04

the Ancillary Receivership of

**AFFIDAVIT**

SECURITY INDEMNITY INSURANCE COMPANY.

-----X

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

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

1.     I am the Director of Creditor and Ancillary Operations of the New York Liquidation Bureau ("NYLB"), the organization that carries out the responsibilities of the Superintendent of Financial Services of the State of New York as ancillary receiver ("Ancillary Receiver") of Security Indemnity Insurance Company ("Security Indemnity"). I submit this affidavit in support of the verified petition of Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent of the Ancillary Receiver ("Verified Petition"), for an order to approve the Closing Report (as defined in the Verified Petition) and to terminate and close the ancillary receivership proceeding of Security Indemnity. I have read the Verified Petition, and the Verified Petition is true based upon my own personal knowledge and upon information and belief, the sources of which are the files and records maintained by the NYLB.

2.     The NYLB acts on the Superintendent's behalf with respect to claims-handling and certain payment functions relating to the New York Property/Casualty Insurance Security Fund ("P/C Fund") and the New York Public Motor Vehicle Liability Security Fund ("PMV Fund" and, together with the P/C Fund, the "Security Funds"), each established pursuant to Article 76 of the New York Insurance Law ("Insurance Law"). The P/C Fund was established to pay policyholders and injured parties with claims against policyholders, where the policyholders are insured under property/casualty policies (with respect to the P/C Fund) or

under insurance policies or corporate surety bonds insuring against personal injuries (including death) and damage to motor vehicles, in each case issued by an authorized insurer whose claims are unpaid due to the insolvency of the insurer. Insurance Law Section 7603(a)(1). The PMV Fund was established to pay policyholders and injured parties with claims against policyholders under insurance policies or surety bonds remaining unpaid due to the insolvency of the insurer, which policies or surety bonds have been accepted by the Commissioner of Motor Vehicles as complying with Section 370 of the New York Vehicle and Traffic Law. Insurance Law Section 7604(a).

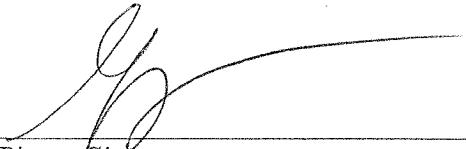
3. As set forth in the Closing Report, all claims payable by Security Indemnity and covered by the Security Funds have been adjudicated and those that were allowed have been paid by the Security Funds. Accordingly, the purpose for which the Ancillary Receivership Proceeding was commenced has been accomplished and the Ancillary Receivership Proceeding should be terminated. In the Closing Report, the Ancillary Receiver verifies the sources and amounts of receipts and disbursements in the Ancillary Receivership Proceeding.

4. Having paid claims on behalf of Security Indemnity, the P/C Fund and the PMV Fund, pursuant to Insurance Law Section 7609(a), were each entitled to a claim in the domiciliary receivership proceeding of Security Indemnity ("Liquidation Proceeding") for all amounts paid out of the Security Funds on behalf of Security Indemnity. Therefore, the Security Funds possessed claims in the Liquidation Proceeding for outstanding amounts each has paid regarding the aforementioned claims filed in the Ancillary Receivership Proceeding. Accordingly, any further distribution received by the NYLB on behalf of the Security Funds from the Liquidator should be disbursed by the NYLB to the Security Funds without the need to reopen the Ancillary Receivership Proceeding.

5. As a result of the claims and expenses paid in the Ancillary Receivership Proceeding, the P/C Fund filed a claim in the Liquidation Proceeding in the amount of \$8,926,876 and the PMV Fund filed a claim in the Liquidation Proceeding in the amount of \$2,744,585. To date, distributions paid by the Liquidator have aggregated to \$5,742,095 for

reimbursement of the P/C Fund's payments and \$1,246,146 for reimbursement of the PMV Fund's payments. The Ancillary Receiver also made salvage and subrogation recoveries in the amount of \$12,546 in respect of the PMV Fund. The remaining amount unpaid in respect of the P/C Fund's claim is now \$5,213,924, and the remaining amount unpaid in respect of the PMV Fund's claim is now \$1,611,239.

6. It is respectfully requested that the NYLB be authorized to receive and disburse to the Security Funds any future distributions from the Liquidator in payment of amounts owed to the Security Funds without further application to this Court and after deducting all administrative expenses incurred in connection with such receipt and disbursement. This will allow the NYLB to accurately reflect all disbursements made in the Ancillary Receivership Proceeding in its books and records without the necessity or burden of reopening the Ancillary Receivership Proceeding for the sole purpose of this minor administrative function.

  
\_\_\_\_\_  
Gail Pierce-Siponen  
Director of Creditor and Ancillary Operations  
New York Liquidation Bureau

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

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

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

# **EXHIBIT 3**

**REPORT ON THE STATUS OF AND REQUEST TO CLOSE  
THE ANCILLARY RECEIVERSHIP PROCEEDING  
OF SECURITY INDEMNITY INSURANCE COMPANY**

**INTRODUCTION**

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as ancillary receiver ("Ancillary Receiver") of Security Indemnity Insurance Company ("Security Indemnity"), has appointed Scott D. Fischer as Acting Special Deputy Superintendent and Agent of the Ancillary Receiver and other Agents, to carry out, through the New York Liquidation Bureau ("NYLB"), the responsibilities of the Ancillary Receiver. The Ancillary Receiver, by Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent ("Assistant Special Deputy"), hereby submits this Ancillary Receiver's report on the status of and request to close ("Closing Report") the Security Indemnity ancillary receivership proceeding ("Ancillary Receivership Proceeding").

This Court entered an order ("Ancillary Order") on October 6, 2004 ("Ancillary Order Date"), pursuant to which Security Indemnity was placed into ancillary receivership. The Ancillary Order appointed the then-Superintendent of Insurance of the State of New York and his successors in office as Ancillary Receiver of Security Indemnity. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Ancillary Receiver of Security Indemnity.

This Closing Report sets forth a history of Security Indemnity, a summary of the claims the New York Property/Casualty Insurance Security Fund ("P/C Fund") and the New York Public Motor Vehicle Liability Security Fund ("PMV Fund" and, together with the P/C Fund, the "Security Funds") (each established pursuant to New York Insurance Law ("Insurance Law") Article 76) have in Security Indemnity's domiciliary liquidation proceeding ("Liquidation

Proceeding”), and the basis for the Ancillary Receiver’s recommendations to: (i) approve this Closing Report and the financial transactions delineated herein; (ii) authorize the continued payment of administrative expenses, including such expenses pertaining to the closing of the Ancillary Receivership Proceeding; (iii) terminate and close the Ancillary Receivership Proceeding; (iv) release and discharge the Ancillary Receiver, 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 Ancillary Receivership Proceeding; (v) authorize the NYLB to receive and disburse to the Security Funds any future distributions from the Commissioner of Banking and Insurance of the State of New Jersey as domiciliary receiver of Security Indemnity (“Liquidator”) in payment of amounts owed to the Security Funds, as applicable, in each case (a) without further application to this Court and (b) after deducting all administrative expenses incurred in connection with such receipt and disbursement; (vi) authorize and direct the Ancillary Receiver, in his discretion, to destroy, or otherwise dispose of any and all of the books, files, records and other property of Security Indemnity in his possession, including transferring them to the Liquidator, without further order of this Court; and (vii) provide for such other and further relief as this Court deems appropriate and just.

### **BACKGROUND**

Security Indemnity, a New Jersey-domiciled insurer, was authorized and licensed to do business in the State of New York. On June 30, 2004, pursuant to an order of the Superior Court of New Jersey, Mercer County, Chancery Division General Equity (“NJ Court”), Security Indemnity was declared insolvent and the New Jersey Commissioner of Banking and Insurance was appointed the Liquidator. By order entered October 6, 2004, Security Indemnity was placed into ancillary receivership in the State of New York.

The only claims presented by the Liquidator to the Ancillary Receiver for handling were claims covered by the Security Funds. The primary purpose of the Ancillary Receivership Proceeding was to provide for the payment of those claims that were covered by the Security Funds, *i.e.*, claims that remained unpaid by reason of the inability, due to insolvency, of an authorized insurer to meet its insurance obligations under policies that meet the criteria of Insurance Law Section 7603(a) (with respect to the P/C Fund) or Section 7604 (with respect to the PMV Fund).

In an ancillary receivership proceeding such as the instant one, all claims by policyholders and claimants are processed through the domiciliary receivership proceeding. This is true regardless of whether the claim is initially filed in the liquidation proceeding or in the ancillary receivership proceeding. The domiciliary receiver then assigns a claim number and refers the claims filed by New York claimants that are covered by the applicable Security Fund to the ancillary receiver for handling and possible payment. Claims that may be payable from the Security Funds must be allowed by the Superintendent as Ancillary Receiver or by the Supreme Court of the State of New York in the ancillary receivership proceeding.<sup>1</sup>

Upon the allowance of claims covered by the Security Funds, the Ancillary Receiver certifies to the Commissioner of Taxation and Finance of the State of New York ("Commissioner"), who is the custodian of those funds, that the claims are payable out of the P/C Fund or the PMV Fund, as applicable. Insurance Law §§7604, 7607(a), and 7608. The funds from the Commissioner are disbursed by the Ancillary Receiver to the policyholders and claimants. In addition, the Security Funds, upon certification by the Ancillary Receiver, remits

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<sup>1</sup> Pursuant to an amendment to Insurance Law Article 76, payments from the Security Funds in amounts not greater than \$25,000 may be made without the approval of a court. However, payments from the Security Funds in amounts greater than \$25,000 require approval by the Court.

payment to the Ancillary Receiver for the administrative expenses incurred in processing and adjudicating claims presented in the Ancillary Receivership Proceeding.

#### **THE ANCILLARY RECEIVERSHIP PROCEEDING MAY BE TERMINATED**

All claims that have been filed in the Ancillary Receivership Proceeding have been resolved. There are no open claims in the Ancillary Receivership Proceeding that have not been paid. The bar date – the last date by which all claims must be asserted – in the Liquidation Proceeding was June 30, 2005. As a result, there are no further claims that will be presented to the Ancillary Receiver. Because there are no more open claims and the bar date for filing claims passed more than nine years ago, the Ancillary Receivership Proceeding is complete and may now be terminated.

#### **FUTURE DISTRIBUTIONS TO THE SECURITY FUNDS**

The Security Funds make payments, in each case, up to a statutory maximum (pursuant to Insurance Law Article 76), to covered New York policyholders (who have suffered covered losses) and third-party claimants (who have claims against covered policyholders), as well as payments of the loss adjustment expenses (“LAE”) and administrative expenses of processing and adjudicating those claims. Having made payments on behalf of Security Indemnity, the Security Funds were entitled to claims against Security Indemnity for all amounts paid. Therefore, the Security Funds each possessed a claim in the Liquidation Proceeding for outstanding amounts each has paid in connection with the claims filed in the Ancillary Receivership Proceeding.

While the Ancillary Receivership Proceeding has remained open, all distributions from the Liquidator to the Security Funds have been made through the NYLB. This practice should continue upon termination of the Ancillary Receivership Proceeding because it will permit the

NYLB to record and process all distributions from the Liquidator to the Security Funds without the necessity and burden of reopening the Ancillary Receivership Proceeding for the sole purpose of performing this purely administrative function. Therefore, the Ancillary Receiver has requested that this Court authorize the NYLB to receive and disburse to the Security Funds any future distributions from the Liquidator in payment of amounts owed to the Security Funds, as applicable, in each case (i) without further application to this Court and (ii) after deducting all administrative expenses incurred in connection with such receipt and disbursement.

### **FINANCIAL CONDITION OF SECURITY INDEMNITY**

The Ancillary Receiver completed all activities related to the Ancillary Receivership Proceeding by September 30, 2014 (“Closing Date”), and therefore selected that date for closing Security Indemnity’s books. Security Indemnity’s Cash Receipt and Disbursements Statement (“Financial Statement”) for the period between the Ancillary Order Date and the Closing Date is attached hereto as Exhibit A. The Financial Statement provides a detailed breakdown as to the specific sources and amounts of receipts and disbursements in the Ancillary Receivership Proceeding. The following is a summary of that information.

### **CASH RECEIPTS AND DISBURSEMENTS**

#### **1. Receipts**

##### **a) *Security Fund Claim Receipts***

The allowed claims for losses filed in the Ancillary Receivership Proceeding total \$6,112,478. The Ancillary Receiver received funds from the P/C Fund and the PMV Fund to pay claims allowed pursuant to Insurance Law Section 7602(g), for losses in the amount of \$4,886,072 and \$1,226,406, respectively. Thus, all allowed claims covered by the Security Funds have been paid.

**b) *Expense Reimbursement from the Security Funds***

The Ancillary Receiver received \$856,023 from the P/C Fund and \$19,740 from the PMV Fund for payment of LAE. The Ancillary Receiver also received \$3,184,781 from the P/C Fund and \$1,498,439 from the PMV Fund for administrative expenses incurred in connection with the handling of claims.

**c) *Early Access Distributions***

The Ancillary Receiver, the Liquidator and the guaranty funds of other states with payment obligations in connection with the Liquidation Proceeding (“Other Guaranty Funds”) entered into an “early access agreement”, which was approved by the NJ Court on or about January 30, 2009, pursuant to which the Liquidator provided payments in respect of the Security Funds’ claims (as well as the claims of the Other Guaranty Funds) during the course of the Liquidation Proceeding. The Ancillary Receiver has received distributions from the Liquidator totaling \$4,833,752, for partial reimbursement of claim and expense payments made by the Security Funds. These funds were remitted to the appropriate Security Fund pursuant to Insurance Law Section 7609(a).

**2. Disbursements**

**a) *Expenses***

Administrative expenses attributable to the P/C Fund and PMV Fund totaled \$3,184,781 and \$1,498,439, respectively. These expenses include the actual and necessary costs of administration incurred by the Ancillary Receiver in the Ancillary Receivership Proceeding, which includes salaries, rent, professional fees and office expenses of the Ancillary Receiver. See Exhibit A.

**b) *Claim and Loss Adjustment Expense Payments***

The Ancillary Receiver has made payments on P/C Fund and PMV Fund allowed claims for loss and LAE in the total amounts of \$5,742,095 and \$1,246,146, respectively, of which \$4,886,072 and \$1,226,406, was for loss and \$856,023 and \$19,740, was for LAE, respectively.

**REIMBURSEMENT OF THE SECURITY FUNDS**

Each Security Fund has a claim in the Liquidation Proceeding for an amount equal to its total disbursements. The total amount of the P/C Fund's and the PMV Fund's filed claim in the Liquidation Proceeding is \$8,926,876 and \$2,744,585, respectively. To date, distributions paid by the Liquidator amount to \$3,712,952 for reimbursement of the P/C Fund's payments and \$1,120,800 for the PMV Fund's payments. Additionally, the Ancillary Receiver made salvage and subrogation recoveries in the amount of \$12,546 for the PMV Fund. The P/C Fund and the PMV Fund each have a claim remaining in the Liquidation Proceeding in the amounts of \$5,213,924 and \$1,611,239, respectively.

As noted above, in order to avoid the necessity and cost of reopening the Ancillary Receivership Proceeding upon a future distribution from the Liquidator to either of the Security Funds, it is respectfully requested that the NYLB be authorized to receive and disburse to the Security Funds any future distributions from the Liquidator that are owing to either of the Security Funds without further application to this Court.


**RELIEF SOUGHT**

The Ancillary Receiver submits this Closing Report in order to describe to the Court the status of the Ancillary Receivership Proceeding and to inform the Court that the affairs of the Security Indemnity estate permit final administrative expenses to be paid and termination of the

Ancillary Receivership Proceeding. In support of the Ancillary Receiver's recommendations stated herein, the Ancillary Receiver has submitted to this Court the Verified Petition of the Assistant Special Deputy. Based on the Ancillary Receiver's compliance with the Ancillary Order and the facts set forth in the Verified Petition and herein, the Ancillary Receiver requests that this Court issue an order, which:

1. approves the Closing Report and the financial transactions delineated herein;
2. authorizes the continued payment of administrative expenses, including such expenses pertaining to the closing of the Ancillary Receivership Proceeding;
3. terminates and closes the Ancillary Receivership Proceeding;
4. releases and discharges the Ancillary Receiver, 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 Ancillary Receivership Proceeding;
5. authorizes the NYLB to receive and disburse to the Security Funds any future distributions from the Liquidator in payment of amounts owed to the Security Funds, as applicable, in each case (a) without further application to this Court and (b) after deducting all administrative expenses incurred in connection with such receipt and disbursement;
6. authorizes and directs the Ancillary Receiver, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Security Indemnity in his possession, including transferring them to the Liquidator, 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  
October 24, 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 Ancillary  
Receiver of Security Indemnity Insurance  
Company

# **EXHIBIT A**

**NEW YORK LIQUIDATION BUREAU  
SECURITY INDEMNITY INSURANCE COMPANY  
Summary of Losses, Loss Adjustment Expenses,  
Administrative Expenses and Early Access Receipts  
From Inception to September 30, 2014**

Description	Inception to September 30, 2014		
	PC SF	PMV SF	Total
Claims Paid	4,886,072	1,226,406	6,112,478
Claims Adjustment Expenses	856,023	19,740	875,763
Administrative Expenses	3,184,781	1,498,439	4,683,220
<b>Total Disbursements</b>	<b>8,926,876</b>	<b>2,744,585</b>	<b>11,671,461</b>
<b>Less: Early Access Distribution</b>	<b>3,712,952</b>	<b>1,120,800</b>	<b>4,833,752</b>
<b>Salvage and Subrogation</b>	<b>-</b>	<b>12,546</b>	<b>12,546</b>
<b>NET AFTER RECEIPTS AND RECOVERIES</b>	<b>5,213,924</b>	<b>1,611,239</b>	<b>6,825,163</b>

**NEW YORK LIQUIDATION BUREAU  
SECURITY INDEMNITY INSURANCE COMPANY  
Losses, Loss Adjustment Expenses  
and Administrative Expenses  
From Inception to September 30, 2014**

DISBURSEMENTS	Inception to September 30, 2014		
	PC SF	PMV SF	Total
Policyholder Benefit Claim Payments	4,886,072	1,226,406	6,112,478
Loss Adjustment Expense	856,023	19,740	875,763
<b>TOTAL Loss and LAE</b>	<b>5,742,095</b>	<b>1,246,146</b>	<b>6,988,241</b>
Employee Salaries	1,747,365	791,714	2,539,079
Employee Relations and Welfare	703,985	327,788	1,031,773
Rent and Related Expenses	454,735	208,401	663,136
Professional Services	72,340	71,098	143,438
General and Administrative Expenses	137,045	64,841	201,886
Other Miscellaneous Expenses	69,311	34,597	103,908
<b>Total Administrative Expenses</b>	<b>3,184,781</b>	<b>1,498,439</b>	<b>4,683,220</b>
<b>TOTAL DISBURSEMENTS</b>	<b>8,926,876</b>	<b>2,744,585</b>	<b>11,671,461</b>
<b>EARLY ACCESS AND OTHER RECEIPTS - SPECIFIED SOURCES</b>			
Statutory Deposits	-	-	-
Salvage, Subrogation and Other Recoveries (including Deductibles and SIR's)	-	12,546	12,546
Early Access Distributions	3,712,952	1,120,800	4,833,752
Other Receipts	-	-	-
<b>TOTAL RECEIPTS AND RECOVERIES</b>	<b>3,712,952</b>	<b>1,133,346</b>	<b>4,846,298</b>
<b>NET AFTER RECEIPTS AND RECOVERIES</b>	<b>5,213,924</b>	<b>1,611,239</b>	<b>6,825,163</b>

Index No. 402613

Year 2004

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

In the Matter of

the Ancillary Receivership of

SECURITY INDEMNITY INSURANCE COMPANY.

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

**JOHN PEARSON KELLY**

Attorney for Superintendent of Financial Services of the State of New York as Ancillary Receiver

*Office and Post Office Address, Telephone*

New York Liquidation Bureau  
110 William Street  
New York, NY 10038  
(212) 341-6755  
Fax (212) 233-0461

**ATTORNEY CERTIFICATION**

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

Dated: October 24, 2014  
New York, New York

  
Melissa A. Dell'Orto

☐ 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 Superintendent of Financial Services  
of the State of New York as Ancillary Receiver

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