

At IAS Part 23 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 2<sup>nd</sup> day of July, 2009.

P R E S E N T:

HON. RICHARD F. BRAUN, J.S.C.

-----X  
In the Matter of

Index No.: 405444/07

the Application of

ERIC R. DINALLO, Superintendent of Insurance of the State of New York, for an order to take possession of and liquidate the business and affairs of

COLONIAL INDEMNITY INSURANCE COMPANY

**ORDER OF LIQUIDATION**

**FILED**  
JUL 07 2009  
COUNTY CLERK'S OFFICE  
NEW YORK

-----X  
Petitioner, Eric R. Dinallo, Superintendent of Insurance of the State of New York ("Superintendent"), having moved this Court for an order to convert the rehabilitation proceeding of Colonial Indemnity Insurance Company ("Colonial") to a liquidation proceeding, and upon reading and filing the petition of the Superintendent, duly verified the 2<sup>nd</sup> day of April, 2009, and the exhibits annexed thereto; this Court finds that:

1. Colonial was placed into rehabilitation and the Superintendent was appointed rehabilitator (the "Rehabilitator") by order of the Court (the "Rehabilitation Order") entered September 6, 2007;
2. The Rehabilitation Order found that Colonial consented to the entry of the Rehabilitation Order;
3. Further efforts to rehabilitate Colonial would be futile;
4. Colonial is insolvent;

5. Colonial is subject to the New York Insurance Law ("Insurance Law") and, particularly, to Article 74 thereof; and

6. It is in the best interest of all persons concerned that the Superintendent be vested with title to all Colonial's property, contracts and rights of action and directed to liquidate its business and affairs;

NOW, on motion of the Honorable Andrew M. Cuomo, Attorney General of the State of New York, it is hereby ORDERED as follows:

1. The petition is granted;
2. The rehabilitation proceeding of Colonial instituted in the Supreme Court, New York County, is terminated;
3. The Superintendent, and his successors in office, are appointed liquidator ("Liquidator") of Colonial and are: (i) vested with all powers and authority expressed or implied under Insurance Law Article 74, in addition to the powers and authority set forth in this Order; (ii) vested with title to Colonial's property, contracts, rights of action and all its books and records, wherever located, as of the date of entry of this Order; and (iv) directed to liquidate Colonial's business and affairs in accordance with Insurance Law Article 74;
4. The Liquidator may deal with the property and business of Colonial in its name or in the name of the Liquidator;
5. In accordance with Insurance Law Section 7432(b), all claims against Colonial must be presented to the Liquidator within four months of the date of entry of this Order;
6. The Liquidator shall provide notice to all creditors, claimants and other interested persons by publication in the New York Post or Newsday, Long Island Edition, ~~or a publication of similar circulation~~, once per week for two consecutive weeks, commencing within four weeks of entry of this Order, notifying such interested persons that: (i) this Order has been entered; (ii) such interested persons must present claims within four months of the date of entry of this Order; and (iii) claims presented after that date shall not share in the distribution of assets until all allowed claims, which were timely filed, have been paid in full with interest;
7. The notice prescribed in decretal paragraph 6 hereof is sufficient notice to all persons interested in Colonial;

8. In accordance with Insurance Law Section 7405, all contracts and agreements, including all leases, tax sharing agreements and employment contracts of Colonial, however described, shall terminate and all liability thereunder shall cease and be fixed as of the date of entry of this Order unless expressly ratified in writing by the Liquidator;
9. The Liquidator is authorized, permitted and allowed to sell, assign or transfer any and all real or personal property, stocks, bonds or securities of Colonial 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 Colonial, 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;
10. Colonial, its officers, directors, shareholders, members, depositories, policyholders, trustees, agents, servants, employees, attorneys, managers and affiliates, and all firms, corporations, associations, and other persons or entities: (i) having all property, records, books or papers belonging to Colonial, wherever located, including but not limited to insurance policy, loss claim and legal files, shall preserve all of them and are directed to promptly assign, transfer, turn over and deliver them to the Liquidator; and (ii) having any property, records, books or papers relating to Colonial, wherever located, shall preserve all of them and are directed, upon the Liquidator's request, to promptly submit them to the Liquidator for examination and copying;
11. Any persons or entities providing claims processing services, data processing services, electronic records retention services or other information technology services to Colonial shall maintain and preserve all information in its possession ("Information") relating to Colonial, wherever located, including but not limited to all documents, data, electronic files and records, and are directed, upon the Liquidator's request, to promptly submit all such information to the Liquidator for examination and copying;
12. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control of any of Colonial's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (i) turn over custody and control of such funds, accounts or assets to the Liquidator; (ii) transfer title of such funds, accounts or assets to the Liquidator; and (iii) change the name of such accounts; (iv) withdraw funds from such bank, savings and loan association or other financial institution; or (v) take any lesser action necessary for the proper conduct of the liquidation proceeding;

13. Any distribution of assets shall be in accordance with the priorities set forth in Insurance Law Article 74;
14. The officers, directors, shareholders, members, depositories, trustees, policyholders, agents, servants, employees, attorneys, managers and affiliates of Colonial and all other persons are permanently enjoined and restrained from: (i) transacting Colonial's business; (ii) wasting or disposing of, or permitting to be done any act or thing that might waste or dispose of, Colonial's property; and (iii) interfering with the Liquidator in the possession, control or management of Colonial's property or in the discharge of his duties;
15. All persons are permanently enjoined and restrained from commencing or prosecuting any actions or proceedings against Colonial, the Liquidator or the New York Liquidation Bureau, its employees, attorneys and/or agents with respect to any claims against Colonial;
16. All persons are permanently enjoined and restrained from obtaining preferences, judgments, attachments or other liens, or making any levy against Colonial's assets or any part thereof;
17. All parties to actions, lawsuits, and special or other proceedings ("Litigation") in which Colonial is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from prosecuting, advancing or otherwise taking any action within such litigation, including but not limited to trials, hearings conferences or other court proceedings, motions or other requests to the court of any nature, proceedings on default, settlements or judgments, service of documents, discovery or any other litigation tasks or procedures for a period of 180 days from the date of entry of this Order;
18. All persons who have first-party policyholder no-fault loss claims pursuant to Article 51 of the Insurance Law against Colonial are enjoined from presenting and filing claims with the Liquidator for a period of 90 days from the date of entry of this Order;
19. The Liquidator, his successors in office, and their agents and employees, are relieved of any liability for any cause of action of any nature against them for any action or omission by any one or more of them when acting in good faith, in accordance with this Order, or in the performance of their duties pursuant to Insurance Law Article 74;
20. The Liquidator may at any time make further application to this Court for such further and different relief as he sees fit;
21. This Court shall retain jurisdiction over this matter for all purposes;

22. All further papers in this proceeding shall bear the caption:

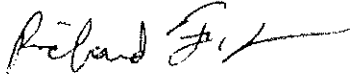
“In the Matter of

the Liquidation of

Colonial Indemnity Insurance Company”

23. The 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



J.S.C.

**FILED**  
JUL 07 2009  
COUNTY CLERK'S OFFICE  
NEW YORK

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

In the Matter of  
the Application of  
ERIC R. DINALLO, Superintendent of  
Insurance of the State of New York, for an  
Order of Appointment, as Liquidator of

COLONIAL INDEMNITY INSURANCE COMPANY

ORDER OF LIQUIDATION

ANDREW M. CUOMO  
Attorney General

Attorney for the Superintendent of  
Insurance

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

Tel (212) 416-8658

*Andrew M. Cuomo*  
Personal Service of a copy of *ORDER*

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

Sir: 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

Yours, etc.,  
ANDREW M. CUOMO  
Attorney General,  
Attorney for

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

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

Date, N.Y.,  
, 20 , at M.

Yours, etc.,  
ANDREW M. CUOMO  
Attorney General,  
Attorney for

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

To  
Attorney for  
, Esq.

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

PRESENT: BRAUN  
Justice

PART 23

DINALLO  
COLONIAL INDEMNITY  
INSURANCE COMPANY

INDEX NO.

405444/07

MOTION DATE

July 2, 2009

MOTION SEQ. NO.

04

MOTION CAL. NO.

RE:

The following papers, numbered 1 to \_\_\_\_\_ were read on this motion to/for conversion of this  
proceeding to a liquidation proceeding etc

Notice of Motion/ Order to Show Cause - Affidavits - Exhibits ...

Answering Affidavits - Exhibits \_\_\_\_\_

Replying Affidavits \_\_\_\_\_

PAPERS NUMBERED

1

Cross-Motion:  Yes  No

Upon the foregoing papers, It is ordered that this motion is granted to the extent of  
the aforesaid Order of Liquidation of this date.

**FILED**

JUL 07 2009

COUNTY CLERK'S OFFICE  
NEW YORK

ENTER

Dated: New York, New York, July 2, 2009

J.S.C.

Check one:  FINAL DISPOSITION  NON-FINAL DISPOSITION

Check if appropriate:  DO NOT POST

REFERENCE

L 8215

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE  
FOR THE FOLLOWING REASON(S):