

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

-----X
In the Matter of

Index No.: 41292/1985

the Liquidation of

AFFIRMATION

UNION INDEMNITY INSURANCE COMPANY
OF NEW YORK.

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Melissa A. Pisapia, an attorney at law, duly admitted to practice before the Courts of the State of New York, hereby affirms under the penalties of perjury under the laws of New York, which may include a fine or imprisonment, that the following is true, and I understand that this document may be filed in an action or proceeding in a court of law.

1. I am counsel for the New York Liquidation Bureau (“NYLB”), which serves as the staff of Adrienne A. Harris, Superintendent of Financial Services of the State of New York (“Superintendent”), in her capacity as liquidator (“Liquidator”) of Union Indemnity Insurance Company of New York (“Union”). I submit this affirmation upon information and belief, based on my review of the Union files maintained by the NYLB and the conversations I have had with employees of the Liquidator, in support of the Liquidator’s application for an order approving, *inter alia*, the Liquidator’s closing report on the status of the Union liquidation proceeding (“Closing Report”) and the financial transactions therein detailed.

2. A copy of the proposed order is annexed hereto as Exhibit 1.
3. The Closing Report is annexed hereto as Exhibit 2.
4. A copy of the Union liquidation order is annexed hereto as Exhibit 3.
5. A copy of this Court’s March 19, 2010 order is annexed hereto as Exhibit 4.

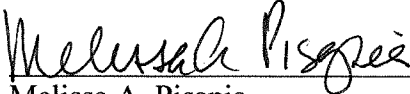
6. The Liquidator proposes to give notice of the return date of the accompanying Order to Show Cause by posting the Order to Show Cause and its supporting papers on the NYLB Internet web page at <https://www.nylb.org>, under Legal and Estate Notices, within five (5) days following the Liquidator's receipt of a signed copy of the Order to Show Cause.

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 the Court grant an order substantially in the form of the proposed order annexed hereto as Exhibit 1 (i) approving the Closing Report and the financial transactions detailed therein, annexed hereto as Exhibit 2; (ii) authorizing the continued payment of actual and necessary administrative expenses incurred by the Liquidator in the administration of the Union liquidation proceeding, including such expenses pertaining to the closing of the liquidation proceeding; (iii) terminating and closing the liquidation proceeding; (iv) authorizing the NYLB to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding and to use such assets, first to pay all administrative expenses incurred in the collection and disbursement of such additional assets, and then to distribute those assets to those former policyholders and creditors of Union with allowed claims; (v) authorizing the NYLB, after termination of the liquidation proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the Union estate; (vi) releasing and discharging the Liquidator, her predecessors and successors in office, and their agents, attorneys and employees, including the NYLB, from any and all liability arising from their

acts or omissions in connection with the liquidation proceeding; and (vii) providing for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York
April 28, 2025



Melissa A. Pisapia

EXHIBIT 1

At IAS Part 18 of the Supreme Court of the State of New York, County of New York, at the courthouse, 71 Thomas Street, in the County, City and State of New York, on the ____ day of _____, 2025.

P R E S E N T:

HON. ALEXANDER M. TISCH, J.S.C.

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

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In the Matter of

INDEX NO.: 41292/1985

the Liquidation of

ORDER

UNION INDEMNITY INSURANCE COMPANY
OF NEW YORK.

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Upon the motion of the Superintendent of the Department of Financial Services of the State of New York, as liquidator (“Liquidator”) of Union Indemnity Insurance Company of New York (“Union”), for an order, *inter alia*: (i) approving the Liquidator’s closing report, dated April 28, 2025, on the status of the Union liquidation proceeding (“Closing Report”) and the financial transactions detailed therein, annexed as Exhibit 2 to the affirmation of Melissa A. Pisapia accompanying this application; and (ii) providing for such other and further relief deemed just and proper by this Court;

NOW, on the motion of the Liquidator, and no opposition having been filed with the Court, it is:

ORDERED, that the application is granted; and it is further

ORDERED, that the Closing Report and the financial transactions detailed therein are approved; and it is further

ORDERED, that the continued payment of actual and necessary administrative expenses incurred by the Liquidator in the administration of the Union liquidation proceeding, including such expenses pertaining to the closing of the liquidation proceeding is authorized; and it is further

ORDERED, that the continued distribution of Union's assets, consistent with the priorities set forth in New York Insurance Law § 7434, to those former policyholders and creditors of Union with allowed claims is authorized; and it is further

ORDERED, that the Union liquidation proceeding is terminated and closed; and it is further

ORDERED, that New York Liquidation Bureau (the "NYLB") is authorized to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding and to use such assets, first to pay all administrative expenses incurred in the collection and disbursement of such additional assets, and then to distribute those assets to those former policyholders and creditors of Union with allowed claims; and it is further

ORDERED, that the NYLB is authorized, after termination of the liquidation proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the Union estate; and it is further

ORDERED, that the Liquidator, her predecessors and successors in office, and their agents, attorneys and employees, including the NYLB, are released and discharged from any and all liability arising from their acts or omissions in connection with the liquidation proceeding.

E N T E R

J.S.C.

Exhibit 2 – Closing Report

**CLOSING REPORT ON THE STATUS OF AND REQUEST TO CLOSE
THE LIQUIDATION PROCEEDING OF
UNION INDEMNITY INSURANCE COMPANY OF NEW YORK**

INTRODUCTION

Adrienne A. Harris, Superintendent of the Department of Financial Services of the State of New York (“Superintendent”), as liquidator (“Liquidator”) of Union Indemnity Insurance Company of New York (“Union”), submits this Closing Report (“Closing Report”) on the status of the liquidation proceeding.¹

In October 2007, the Liquidator submitted to the Court a report on the Union liquidation proceeding as of March 31, 2007, and sought, *inter alia*, a deadline for the presentment of claims and authority to make distributions to creditors with allowed Class Two claims (“2007 Status Report”). On March 19, 2010, this Court entered an order approving the 2007 Status Report, granting the Liquidator authority to make distributions and establishing July 19, 2010 as the bar date for the presentment of claims other than claims for administrative costs and expenses (the “March 19, 2010 Order”).

This Closing Report provides an update on the administration of Union from April 1, 2007 through December 31, 2024 (the “Reporting Period”). The Liquidator is pleased to report that she has completed her duties regarding the liquidation of Union. These steps have included adjudicating all open claims and securing a release of personal liability from the Federal Government under the Federal Priority Statute, 31 U.S.C. §3713(b). In addition, during the Reporting Period, the Liquidator has made distributions totaling approximately \$83 million (or a total of 32.5% *pro rata* distribution on allowed Class Two claims²).

¹ The Liquidator has appointed David Axinn as Special Deputy Superintendent and Agent of the Liquidator with authority to carry out through the staff at the New York Liquidation Bureau (the “NYLB”) the responsibilities of the Liquidator.

² In Union’s financial statements, allowed claims are referred to as “adjudicated claims.”

The Liquidator respectfully requests that the Court issue an order, substantially in the form of the proposed order annexed as Exhibit 1 to the accompanying affirmation of Melissa A. Pisapia (the “Pisapia Aff.”) approving, *inter alia*, this Closing Report and the financial transactions detailed herein and terminating and closing the Union liquidation proceeding.

BACKGROUND

A. Union and Its Liquidation

Union was incorporated under New York law in October 1975, as a stock casualty company. Its charter authorized Union to conduct business throughout the United States, the District of Columbia, Puerto Rico, and Canada. Union was a multi-line insurance carrier that wrote, among other things, a substantial amount of excess coverage for major Fortune 500 companies. Many of the claims asserted against Union in liquidation were considered “long-tail,” meaning it could take decades for injuries incurred under a particular policy to manifest, develop and be adjudicated. Such claims include asbestos, environmental pollution, product liability, and other toxic torts.

On July 16, 1985, the Supreme Court of the State of New York, New York County (the “Court”), adjudged Union to be insolvent and placed it into liquidation. A copy of the Liquidation Order is annexed to the Pisapia Aff. as Exhibit 3. The Liquidation Order appointed the Superintendent of Financial Services of the State of New York (successor to the Superintendent of Insurance) and his successors in office as Liquidator of Union. Liquidation Order, Exh. A at 2. The Liquidation Order charged the Liquidator with, *inter alia*, liquidating Union’s business, including adjudication of claims and recovery of assets for creditors through reinsurance collections. *Id.*

B. Bar Dates

Because of the nature of Union's claims, the Liquidator carefully considered the timing to establish a deadline to submit claims and supporting data, balancing the need to provide claimants with long-tail claims a sufficient period to detect and update their claims against the need to establish finality and wrap up the affairs of the estate.

The Liquidation Order provided that the last day for filing proofs of claim in the proceeding was one year from the date of entry of the liquidation order, or July 17, 1986 (the "Proof of Claim Bar Date"). Throughout the liquidation, creditors who filed or were statutorily deemed to have filed proofs of claim by the Proof of Claim Bar Date were permitted to file evidence or other relevant materials to supplement existing claims or assert new claims under Union policies that were not known to them when they filed their initial proofs of claim. In addition, policyholders were entitled to file proofs of claim for "policyholder protection" ("PHP"). A PHP proof of claim does not articulate the specifics of a particular claim. Rather, it secures for the policyholder the right to be in the proceeding as a timely-filed creditor without describing an actual claim.

In 2007, the Liquidator petitioned this Court for an order establishing a date by which all claims must be filed with the Liquidator (the "Final Bar Date"). The Court's March 19, 2010, Order established July 19, 2010, as the Final Bar Date. The Final Bar Date cut off the submission of any new claims other than claims for administrative costs and expenses and directed that the Liquidator was not required to consider any proof submitted after the Final Bar Date. A copy of the March 19, 2010, Order is annexed to the Pisapia Aff. as Exhibit 4.

C. Classes of Creditors

The priority of distribution of assets from a liquidating insurer is set forth in New York Insurance Law ("Insurance Law") § 7434, which establishes the following classes:

Class One – Administrative Claims

Claims with respect to the actual and necessary costs and expenses of administration incurred by the Liquidator;

Class Two – Claims and Related Costs

All claims under policies including claims of the federal, state or local government for losses incurred, third-party claims, claims for unearned premiums, and all claims of the security fund guaranty associations, but excluding claims arising under reinsurance contracts;

Class Three – Federal and Government Claims

Claims of the federal government, except those stated above in Class Two;

Class Four – Employee Claims

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;

Class Five – State and Local Government Claims

Claims of state and local governments, except those stated above in Class Two;

Class Six – General Creditor Claims

Claims of general creditors, including, but not limited to, claims under reinsurance contracts;

Class Seven – Late Filed Claims

Claims filed late or any other claims other than claims under Class Eight or Class Nine below;

Class Eight – § 1307 Loans

Claims for advanced or borrowed funds made pursuant to Insurance Law § 1307; and

Class Nine – Shareholder Claims

Claims of shareholders or other owners in their capacity as shareholders.

D. Adjudication Procedures

By orders entered January 20, 1994 and January 3, 1997, this Court established procedures to resolve a claimant's objection to the Liquidator's recommendation to disallow or allow a claim. Pursuant to the procedures, claimants who objected to the Liquidator's determination of their claims were entitled to have their objections referred to the court-appointed referee who would

hear and make a recommendation on the dispute. Either the claimant or the Liquidator could petition the Court on notice for an order confirming or denying the referee's recommendation.

By order dated February 6, 2009, the Court directed the Liquidator to submit revised adjudication procedures to delineate the steps that were to be implemented to conform them with *In the Matter of the Liquidation of Midland Ins. Co. (Everest Re)*, 18 Misc. 3d 1117(A), 856 N.Y.S.2d 498 (Sup. Ct., N.Y. Co. 2008), which required claims adjudication procedures to include reinsurers' contractual interposition rights. On April 27, 2010, the Liquidator submitted proposed revised claims adjudication procedures requiring the Liquidator to issue a Notice of Determination to reinsurers when a claim that is partially or wholly reinsured is recommended for allowance. Reinsurers were provided 60 days from the service date of the Notice of Determination to exercise any contractual rights to challenge the allowed claim. By order entered August 3, 2010, this Court approved the Liquidator's revised claims adjudication procedures.

The Liquidator reviewed all timely filed claims within a priority class that would receive a distribution, *i.e.*, Class Two claims. All claims that the Liquidator identified as eligible for coverage by one of the New York State security funds -- the Property/Casualty Insurance Security Fund, the Public Motor Vehicle Liability Security Fund, or the Workers' Compensation Security Fund (collectively, the "New York Security Funds") -- were referred to the appropriate fund for review. All claims of out-of-state policyholders that the Liquidator identified as eligible for coverage by funds maintained by other states for the payment of claims against insolvent insurance carriers were referred to those funds ("Guaranty Funds").³

³ The New York Security Funds and Guaranty Funds (collectively, the "Funds") are statutory funds intended to pay eligible claims of insolvent insurance companies up to a statutory limit. The Funds are funded by assessments on insurers admitted to write insurance within their respective states. The Funds, in turn, are able to seek reimbursement from Union for the payments they make on its behalf. *See* Insurance Law § 7434(a)(1)(ii).

E. Loan to Workers' Compensation Security Fund

In 2005, the New York Legislature adopted a series of measures to facilitate an infusion of money to stabilize the New York Workers' Compensation Security Fund ("WC Fund"). Loans from liquidation estates, including Union, were authorized under Insurance Law § 7433-a, and were paid back over time by the WC Fund. A loan of \$412,017 was made from the Union estate to the WC Fund and was repaid in full by July 2007.

F. Reinsurance

The collection of reinsurance is a part of the liquidation process. The Liquidator's efforts to collect the reinsurance owed to Union totaled \$5.1 million during the Reporting Period. These funds were collected through both direct billing of reinsurers and commutations.

In 2017, the Liquidator retained a reinsurance consultant ("Consultant"), to assist in maximizing the reinsurance collection efforts in Union. After making such collections as were possible, in 2023, the Consultant provided a report on its collections efforts. The reinsurance recoverables at issue generally involve significantly aged claims, many of which lack adequate supporting documentation or are with insolvent reinsurers located outside of the United States. The Consultant concluded that prior collection efforts have been exhausted and that a sale of the remaining uncollectible reinsurance recoverables would not be effective.

The Liquidator continues to carry approximately \$8.8 million as a recoverable on its balance sheet. However, based on the Consultant's report and the lack of viable options with respect to collecting the outstanding reinsurance recoverables, the balance sheet records an offsetting reserve of \$8.8 million, reflecting the Liquidator's assessment as to the non-collectability of this amount.

G. Federal Waiver

Obtaining a release from personal liability from the Federal Government is often understood to be the final step in resolving a large receivership. Under the Federal Priority Statute,

31 U.S.C. § 3713(a), the Federal Government has a priority claim whenever “an act of bankruptcy is committed,” which includes state insurance receiverships. Under 31 U.S.C. § 3713(b), if any claimant receives a higher pro rata share than a Federal Government claim of equal priority, or is paid ahead of a Federal Government claim of a higher priority, the representative of the estate may be personally “liable to the extent of the payment for unpaid claims of the Government.” Because of this severe penalty, many modern estates with Federal claims do not close or pay distributions until receiving a release from the Federal Government.

In March 2016, the Liquidator initiated the release agreement process and submitted an application to the U.S. Department of Justice concerning the Union estate. On October 17, 2024, the Liquidator and the Federal Government entered into a conditional release agreement under the Federal Priority Statute (the “Release Agreement”) to enable the Liquidator to close the estate without the threat of being held personally liable under the Federal Priority Statute for unknown or unasserted claims of the Federal Government. The Release Agreement identifies five allowed Class Two claims of the Federal Government and provides that the Release Agreement is effective upon the Federal Government’s receipt of a final *pro rata* distribution by Union on its five Class Two claims.

H. Closing Plan

As of June 2024, the Liquidator completed adjudication of all claims that will share in the distribution of assets and has been working to close the estate. At that time, the Liquidator implemented measures to protect policyholders by posting notice to the NYLB’s website and mailing Union’s creditors notifications regarding requirements to complete W-9 forms and address verification forms to receive distributions. The Liquidator also created an online portal for the electronic submission of forms to facilitate processing. The Liquidator has completed the creditor

verification process and is prepared upon approval of this Closing Report to make final distributions.

Any unclaimed distributions will be escheated to New York State pursuant to the Abandoned Property Law. To that end, the Liquidator has established an online portal through which Union creditors with allowed claims can search for unclaimed funds in their name. Notice of and accessibility to the unclaimed funds portal will be available on the NYLB website at www.nylb.org.

CURRENT STATUS OF UNION CLAIMS

A. Claims Submitted

In total, 31,417 claims have been presented to the Liquidator by the Final Bar Date. Of those claims, 29,531 are Class Two claims, all of which have been adjudicated. Because Union has insufficient assets to pay Class Two claims in full, the Liquidator, in her discretion, has refrained from adjudicating claims below Class Two to avoid incurring unnecessary administrative expense.⁴

B. Class Two Claims

Of the 29,531 Class Two claims: 14,464 claims were voided;⁵ 495 claims were withdrawn; 12,808 claims were disallowed; 3 claims were New York Security Fund claims; 42 claims were submitted by Guaranty Funds of other states; and 1,719 claims were non-fund covered Class Two claims. As of December 31, 2024 (“Reporting Date”), 1,764 Class Two claims have been allowed in the proceeding with a combined allowance amount, to date, of approximately \$262 million.

⁴ 1,886 claims below Class Two have been presented to the Liquidator.

⁵ A significant number of policyholder protection (PHP) claims were voided due to policyholders frequently submitting both a PHP claim and a formal proof of claim once they were able to articulate the specifics of their claim. In such cases, the PHP claim was voided to prevent duplication. Additionally, all outstanding PHP claims were voided after the Final Bar Date had passed.

After applying an offset for prior distributions, \$177,490,697 in allowed Class Two liabilities remains.

1. New York Security Fund Claims

Three Class Two claims have been presented by the New York Security Funds and have been allowed, to date, for a total amount of \$148,221,717, including: an allowance of \$145,929,333 for the Property/Casualty Insurance Security Fund; \$101,000 for the Public Motor Vehicle Liability Security Fund; and \$2,191,384 for the WC Fund. The claims of the three New York Security Funds have been finalized and the claims are closed.

2. Guaranty Funds

Forty-two (42) Guaranty Funds of other States have presented Class Two claims against the Union estate for a total allowance, to date, of approximately \$80.4 million.

3. Non-Fund Claims

A non-fund claim is a claim not covered by New York Security Funds or other state Guaranty Funds. All 1,719 non-fund claims have been allowed as Class Two claims for a total amount of \$33,399,645.

C. Other Claims – Claims Below Class Two

The remaining 1,886 claims fall into classes below Class Two, which the Liquidator has refrained from adjudicating because there are no assets in the estate to pay claims below Class Two.⁶

⁶ Some claims below Class Two were adjudicated but will not receive a distribution because these claims were adjudicated prior to the 1999 and 2005 changes to Insurance Law Section 7434. Under the Insurance Law in effect when Union was ordered into liquidation, most claims were treated equally and shared assets on a *pro-rata* basis. A 1999 amendment introduced a new priority scheme with nine classes of claims, applicable only to liquidations ordered on or after June 29, 1999—thus excluding Union. However, a 2005 amendment made the priority scheme retroactive to ongoing proceedings like Union’s, unless a final distribution order had already been issued. This change reclassified certain creditors, such as reinsurers, to a lower priority (Class Six), which will not receive a distribution.

FINANCIAL REPORT

All financial data presented below is as of the Reporting Date. Union's Comparative Statement of Assets, Liabilities ("Balance Sheet") is attached hereto as Exhibit A. Union's Receipts and Disbursements for the Reporting Period ("Cash Flow Statement") is attached hereto as Exhibit B.

A. Assets

As reflected in the Balance Sheet, Union's total assets as of the Reporting Date were \$27,978,894. This included approximately \$24.7 million in unrestricted assets and \$3.2 million in restricted assets.

B. Liabilities

As reflected in the Balance Sheet, Union's total liabilities as of the Reporting Date were \$313,326,799, of which \$177,490,697⁷ reflects Union's Class Two claims under policies.

C. Operating Expenses

As detailed in the Cash Flow Statement, total receipts during the Reporting Period amounted to approximately \$20.7 million. This consisted primarily of investment income of \$12.9 million and reinsurance recoveries of \$5.1 million.

Total operating expenses during the Reporting Period amounted to approximately \$11.2 million, which included salaries and benefits of liquidation staff employees, overhead, and professional fees.

⁷ The Class Two liability is stated net of prior distributions. Future distributions will be paid in a manner to ensure that all Class Two creditors receive the same final pro rata percentage.

D. Other Disbursements

As set forth in the Cash Flow Statement, other disbursements during the Reporting Period amounted to approximately \$83.4 million. Other disbursements consisted primarily of interim distributions of approximately \$83 million to policyholders and early access distributions to Guaranty Funds. These distributions were made under the authority provided in the Court's March 19, 2010, Order approving the 2007 Status Report.

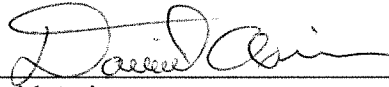
RELIEF SOUGHT

The Liquidator submits this Closing Report to inform the Court on the status of the Union liquidation proceeding and that the Liquidator has completed her duties regarding the liquidation. Accordingly, the Liquidator respectfully requests that the Court issue an order:

1. Approving this Closing Report and the financial transactions detailed herein;
2. Authorizing the continued payment of actual and necessary administrative expenses incurred by the Liquidator in the administration of the Union liquidation proceeding, including such expenses pertaining to the closing of the liquidation proceeding;
3. Authorizing the continued distribution of Union's assets, consistent with the priorities set forth in Insurance Law § 7434, to those former policyholders and creditors of Union with allowed claims;
4. Terminating and closing the liquidation proceeding;
5. Authorizing the NYLB to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding and to use such assets, first to pay all administrative expenses incurred in the collection and disbursement of such additional assets, and then to distribute those assets to those former policyholders and creditors of Union with allowed claims;
6. Authorizing the NYLB, after termination of the liquidation proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the Union estate;

7. Releasing and discharging the Liquidator, her predecessors and successors in office, and their agents, attorneys and employees, including the NYLB, from any and all liability arising from their acts or omissions in connection with the liquidation proceeding; and
8. Providing for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York
April 28, 2025



David Axinn
Special Deputy Superintendent and
Agent of Adrienne A. Harris,
Superintendent of the Department of
Financial Services of the State of New York
as Liquidator of Union Indemnity Insurance
Company of New York

EXHIBIT A

Union Indemnity Insurance Company of New York

ASSETS

December 31, 2024

Unrestricted Assets:

Cash and Cash Equivalents	\$ 22,713,035
Bonds, at fair market value	1,942,231

Total Cash, Cash Equivalents and Investments 24,655,266

Accrued Investment Income 96,797

Reinsurance Recoverable on Losses Paid 8,782,377

Allowance for Uncollectable Reinsurance (8,782,377)

Net Reinsurance Recoverable on Losses Paid -

Total Unrestricted Assets 24,752,063

Restricted Assets:

Other Restricted Assets 3,226,831

Total Restricted Assets 3,226,831

Total Assets \$ 27,978,894

Union Indemnity Insurance Company of New York
LIABILITIES

December 31, 2024

Secured Claims	\$ 3,416,852
Class I -- Administrative Claims	104,421
Class II -- Claims and related Costs	
Adjudicated	177,490,697
Non-Adjudicated	-
Total Class II -- Claims and related Costs	177,490,697
Class III -- Federal Government Claims	137,245
Class IV -- Employee Claims	-
Class V -- State and Local Government Claims	71,336
Class VI -- General Creditor Claims	63,279,261
Class VII -- Late Filed Claims	68,826,987
Class VIII -- Section 1307 (Shareholder) Loans	-
Total Liabilities	313,326,799
Deficit	(285,347,905)
Total Liabilities and Deficit	\$ 27,978,894

EXHIBIT B

Union Indemnity	
Receipts and Disbursements	
April 1, 2007 to December 31, 2024	
<u>Receipts:</u>	
Net Investment Income Received	\$ 12,940,717
Reinsurance Recovered	5,126,361
Refund from Central Disbursement Account	1,200,000
Salvage and Subrogation Recoveries	1,027,808
Other Receipts	239,626
Release from Ancilliary Special Deposits	90,556
Loan Repayment	64,842
Release from statutory deposits	27,037
Total Receipts	20,716,947
<u>Operating Expenses</u>	
Salaries	4,202,160
Professional Fees	2,247,639
Employee Relations and welfare	2,226,461
Rent and related expenses	1,741,337
General and Administrative Expenses	530,004
Miscellaneous	272,001
Total Operating Expenses	11,219,602
Other Disbursements	
Distributions	83,055,615
Salvage and subrogation fees	232,302
Miscellaneous	190,160
Total Disbursement	83,478,077
Total Other Disbursement	94,697,679
Net Disbursements Over of Receipts	(73,980,732)
	98,363,578
Opening Cash, Cash Equivalents, and Invested Assets	
Cash, Cash Equivalents, Invested Assets, End of Period	\$ 24,655,266

EXHIBIT 3

L

At a Special Term, Part I of the Supreme Court of the State of New York, held in and for the County of New York, at the Courthouse, 60 Centre Street, in the Borough of Manhattan, City and State of New York, on the 16th day of July, 1985.

P R E S E N T :

HON. IRA GAMMERMAN

JUSTICE.

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In the Matter of
the Application of

Index No. 41292/1985
ORDER OF LIQUIDATION

JAMES P. CORCORAN, as Superintendent of Insurance of the State of New York, for an order to take possession of and liquidate the business and affairs of

UNION INDEMNITY INSURANCE COMPANY OF NEW YORK

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Petitioner, JAMES P. CORCORAN, Superintendent of Insurance of the State of New York (the "Superintendent"); having moved this Court by Order to Show Cause for an Order pursuant to Section 7417 of the Insurance Law to take possession of and liquidate the business and affairs of UNION INDEMNITY INSURANCE COMPANY OF NEW YORK ("UNION INDEMNITY"),

NOW, upon reading and filing the Order to Show Cause signed June 5, 1985 (per JAWN A. SANDIFER, J.) the Petition of

JAMES P. CORCORAN, the Superintendent, sworn to the 4th day of June, 1985 (the "Petition"), and the exhibits annexed thereto, with proof of due service thereof, in support of the motion; and the affirmation of EDWARD M. CAMERON, III dated June 25, 1985 with exhibits attached; the affidavit of DOUGLAS L. KING sworn to July 9, 1985; the affidavit of DOUGLAS L. KING sworn to July 10, 1985 with exhibits attached, all in opposition thereto; and the undated So Ordered Stipulation of the Hon. LOUIS GROSSMAN, Justice of this Court; and it appearing to my satisfaction (i) that UNION INDEMNITY was incorporated under the laws of the State of New York on October 20, 1975 and licensed as a stock casualty insurer in the State of New York on October 20, 1975; (ii) that it is amenable to the Insurance Law of the State of New York and particularly to Article 74 thereof; (iii) that it is impossible to reinsure in whole or in part the existing policy obligations of UNION INDEMNITY pursuant to Section 7403 (c) of the Insurance Law; (iv) that the corporate charter as well as any rights and interest in licenses or certificates of authority to write insurance be vested in the Superintendent of Insurance; (v) that UNION INDEMNITY is insolvent, that it is in such condition that its further transaction of business would be hazardous to its policyholders, creditors or to the public, that it is to their best interests that this application should be granted and UNION INDEMNITY liquidated under and pursuant to Article 74 of the Insurance Law; and petitioner having appeared by Hon. ROBERT

ABRAMS, Attorney General of the State of New York in support of said motion and UNION INDEMNITY having appeared by KROLL, POMERANTZ & CAMERON by ROY POMERANTZ, Esq. in opposition thereto, and after oral argument and hearing before this Court and after due deliberation having been made thereon and the duly recorded decision of this Court;

NOW, on motion of Hon. ROBERT ABRAMS, Attorney General of the State of New York, it is

ORDERED AND ADJUDGED, that the petition of the Superintendent is granted; and it is further

ORDERED AND ADJUDGED, that UNION INDEMNITY is insolvent; and it is further

ORDERED AND ADJUDGED, that JAMES P. CORCORAN, the Superintendent, or any successor in office as Superintendent, is hereby appointed Liquidator of UNION INDEMNITY, and is hereby authorized and directed forthwith to take possession of the property and liquidate the business and affairs of UNION INDEMNITY pursuant to Article 74 of the Insurance Law and to deal with the property and business of UNION INDEMNITY in his name as Superintendent, and is vested with title to all of the property, licenses, corporate charter, contracts and rights of action of UNION INDEMNITY pursuant to Section 7405 of the Insurance Law; and it is further

ORDERED AND ADJUDGED, that the notice aforesaid be given by publication in the national editions of The New York Times and The Journal of Commerce, commencing on or about the *9d day of August*, 1985, and thereafter once a week for two successive weeks; and it is further

ORDERED AND ADJUDGED, that notice of liquidation be given by publication of such notice in one newspaper in Washington, D.C. and San Juan, Puerto Rico, as well as the Capitals of the Provinces of Canada, and in all the Capital Cities of the States in the United States except California, Maryland, North Carolina, South Dakota and Wyoming, and in the newspapers in other cities to be selected by the Liquidator in his discretion, by publication of such notice once a week for two successive weeks within the period allowed for the filing of claims, the newspaper to be selected by the the Liquidator in his discretion; and it is further

ORDERED AND ADJUDGED, that the notice prescribed is sufficient notice to all persons interested in the assets of UNION INDemnITY; and it is further

ORDERED AND ADJUDGED, that notice of the making and entry of this order be given by the Superintendent, as Liquidator, to the extent it can be reasonably ascertained, by mail to all policyholders, creditors and all other persons having any unsatisfied claim or demand of any character against the corpor-

ation in the possession of the Superintendent, as Liquidator, at the last known address of such persons as disclosed by said records and in such other manner and form as he in his discretion may find desirable, demanding that all persons indebted to UNION INDEMNITY render accounts of their indebtedness and pay any sums due to the Superintendent, as Liquidator; and giving notice to present proofs of claim with the Superintendent, as Liquidator, at a place specified in such notice within twelve months from the date of the entry of this Order and no later than the 17th day of July, 1986; and that such notice may contain such other rules, regulations and information as the Superintendent, as Liquidator, may deem necessary for the purpose of this proceeding in fixing and determining all lawful and valid claims and demands against the corporation; and it is further

ORDERED AND ADJUDGED, that 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 respondent was licensed to do business, desire to give formal notice to policyholders and creditors in their respective states to present proofs of claim to the respective State Insurance Department or Guaranty Fund or Association, the Superintendent, as Liquidator, may permit the giving of such notice as he in his discretion may find desirable; and it is further

ORDERED AND ADJUDGED, that all outstanding policy and other insurance obligations of UNION INDEMNITY terminate and all liability thereunder cease and be fixed as of 12:01 A.M. Eastern Daylight Savings Time on *August 17*, 1985, or prior thereto upon the procurement by policyholders of new insurance covering their risks insured thereby, and notice thereof shall be given as hereinabove set forth; and it is further

ORDERED AND ADJUDGED, that all other subsisting contracts, leases, tax sharing agreements, individual labor contracts and other obligations of UNION INDEMNITY terminate, and all liability thereunder cease and be fixed as of the date of the entry of this Order; and it is further

ORDERED AND ADJUDGED, that the Superintendent, as Liquidator, is relieved of the provisions set forth in Section 7405(e) of the Insurance Law, to wit: to reinsure in whole or in part the policy obligations of UNION INDEMNITY; and it is further

ORDERED AND ADJUDGED, that JAMES P. CORCORAN, the Superintendent or any successor in office as Superintendent, is hereby authorized, permitted and allowed to sell, assign and transfer any and all stocks, bonds and securities in his possession or which may hereafter come into his possession belonging to UNION INDEMNITY, in liquidation, at market price or better,

or when there is no market price) at the best price obtainable, at private sale and at such times and upon such terms and conditions as in his discretion he deems for the best interests of the creditors of UNION INDEMNITY, in liquidation, and that he be authorized, permitted and allowed 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; and it is further

ORDERED AND ADJUDGED, that JAMES P. CORCORAN, the Superintendent or any successor in office as Superintendent, is hereby authorized, permitted and allowed to sell, assign and transfer the Corporate Charter of UNION INDEMNITY and any and all insurance licenses or certificates of authority to write insurance in such a method and manner as is to be approved by this Court; and it is further

ORDERED AND ADJUDGED, that UNION INDEMNITY, its officers, directors, trustees, policyholders, agents and employees and all other persons having any property or records belonging to UNION INDEMNITY, are hereby directed to assign, transfer and deliver to the Superintendent, as Liquidator, all of such property in whatsoever the same may be, and that any persons, firms or corporations having any books, papers or records relating to the business of said corporation shall preserve the same and submit them to the Superintendent, as Liquidator, for examination at all reasonable times; and it is further

ORDERED AND ADJUDGED, that the officers, directors, trustees, policyholders, agents and employees of UNION INDEMNITY, and all other persons are enjoined and restrained from the further transaction of business or from dealing with or disposing of the property or assets of said corporation, or doing or permitting to be done any act or thing which might waste its property or assets or allow or suffer the obtaining of preferences, judgments, attachments or other liens, or the making of any levy against said corporation, or its estate while in the possession and control of the Superintendent, as Liquidator; and it is further

ORDERED AND ADJUDGED, that the officers, directors, trustees, policyholders, agents and employees of UNION INDEMNITY, and all other persons, including but not limited to claimants, plaintiffs and petitioners who have claims against UNION INDEMNITY, are permanently enjoined and restrained from bringing or further prosecuting any action at law, suit in equity, special or other proceeding against the said corporation or its estate, or the Superintendent and his successors in office, as Liquidator thereof, or from making or executing any levy upon the property or estate of said corporation, or from in any way interfering with the Superintendent, or any successor in office, in his possession, or in the discharge of his duties as Liquidator thereof, or in the liquidation of the business of said corporation; and it is further

ORDERED AND ADJUDGED, that all parties to law suits in this State and all other states and territories of the United States, are hereby enjoined and restrained from proceeding with any pre-trial conference, trial, application for judgment, or proceeding on judgments or settlements in such actions at law, suits in equity, special or other proceedings in which UNION INDEMNITY is obligated to defend a party insured or any other person it is legally obligated to defend by virtue of its insurance contract for a period of 180 days from the date hereof; and it is further

ORDERED AND ADJUDGED, that those persons who may have first-party or New York Comprehensive Automobile Insurance Reparations Act (No-Fault) policyholder loss claims against UNION INDEMNITY coming within the purview of Article 76 of the Insurance Law, are enjoined for 90 days from the date hereof from presenting and filing such formal claims in this proceeding pursuant to Section 7432 of the Insurance Law; and it is further

ORDERED AND ADJUDGED, that all further papers in this proceeding shall bear the caption and be entitled:

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

**In the Matter of
the Liquidation of
UNION INDEMNITY INSURANCE COMPANY
OF NEW YORK"**

in place and stead of the caption as heretofore used; and it is further

ORDERED AND ADJUDGED, that the Superintendent, as Liquidator, may at any time make further application for such further and different relief as he sees fit.

E N T E R

131 I.G.

J. S. C.

*filed
7/16/81
79 County
3:20 PM*

EXHIBIT 4

At IAS Part ³~~6~~ of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, New York, New York, on the 18 day of March, 2010.

P R E S E N T:

HON. EILEEN BRANSTEN, J.S.C.

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In the Matter of

Index No.: 41292/85

the Liquidation of

ORDER

Union Indemnity Insurance Company of New York.

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FILED
MAR 19 2010
NEW YORK
COUNTY CLERK'S OFFICE

UPON the Verified Petition ("Petition") of Mark G. Peters, the then-Special Deputy Superintendent (the "Special Deputy") and then-agent of the Superintendent of Insurance of the State of New York as liquidator ("Liquidator") of Union Indemnity Insurance Company of New York ("Union"), dated October 10, 2007, for an order: (i) approving the Liquidator's initial report on the status of the Union liquidation proceeding ("Initial Report") and the financial transactions delineated therein; (ii) establishing a bar date ("Bar Date") for presentment of all claims other than claims for administrative costs and expenses; (iii) authorizing and directing the Liquidator to consider for allowance only those claims for actual losses arising under policies issued by Union that are presented to the Liquidator on or before the Bar Date; (iv) barring and discharging all claims for losses reported after the Bar Date; (v) authorizing the continued payment of administrative costs and expenses; and (vi) authorizing the Liquidator to distribute Union's assets, consistent with this Court's orders and the priorities set forth in New York

Insurance Law (“Insurance Law”) Section 7434, to those creditors of Union with allowed claims, to the extent that, in the Liquidator’s discretion, sufficient funds are available;

AND, upon reading the Special Deputy’s Verified Petition, dated October 10, 2007;

AND, upon due proof of service thereof upon Union’s known creditors with allowed or unadjudicated claims and all other interested parties;

AND, upon the Decision and Order of this Court issued February 6, 2009, granting the Special Deputy’s Petition to approve the Initial Report only to the extent that the Liquidator’s plan to apply the priority scheme for distribution in accordance with the current version of Insurance Law § 7434 is approved but staying final approval of the entire Initial Report pending additional submission by the Liquidator: (1) to further support the administrative expenses described in the Initial Report; and (2) to delineate the steps that are to be implemented to conform with *In the Matter of the Liquidation of Midland Ins. Co. (Everest Re)*, 18 Misc.3d 1117(A), 856 N.Y.S.2d 498 (Sup. Ct., N.Y. Co. 2008);

AND, upon reading the Liquidator’s further submissions, dated August 11, 2009 and March 16, 2010, in support of the Special Deputy’s Petition;

AND, upon due deliberation having been had thereon, and upon the decision of this Court;

NOW, on application of the attorney for the Liquidator, it is

ORDERED, that the application is granted; and it is further

ORDERED, that the Initial Report and financial transactions delineated therein are approved; and it is further

OK
JSC

ORDERED, that a Bar Date for presentment of all claims other than claims for administrative costs and expenses ~~will be~~ ^{is} established ^(to be) 120 days from the date of the entry of this order; and it is further

ORDERED, that the Liquidator is authorized and directed to consider for allowance only those claims for actual losses arising under policies issued by Union that are presented to the Liquidator on or before the Bar Date; and it is further

ORDERED, that all claims for losses reported after the Bar Date are barred and discharged; and it is further

ORDERED, that the Liquidator is authorized to continue paying administrative costs and expenses; and it is further

ORDERED, that the Liquidator is authorized to distribute Union's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Union with allowed claims to the extent that, in the Liquidator's discretion, sufficient funds are available; and it is further

ORDERED, that notice of this order and the relief granted herein shall be served: (1) by mailing same by United States first class mail, within 30 days of the entry of this Order, to Union's known creditors with unadjudicated claims; (2) by posting same on the New York Liquidation Bureau's website at www.nylb.com within 30 days of the entry of this Order; and (3) to all Union's policyholders, claimants and other creditors and interested parties by publication in *USA Today*, once per week for two consecutive weeks, commencing within 45 days of the entry of this Order; and it is further

ORDERED, that the Liquidator submit a proposed order delineating the steps that are to be implemented to conform with *In the Matter of the Liquidation of Midland Ins. Co. (Everest Re)*, 18 Misc.3d 1117(A), 856 N.Y.S.2d 498 (Sup. Ct., N.Y. Co. 2008) within 30 days of the entry of this Order.

ENTER



Eileen Bransten
J.S.C.

EILEEN BRANSTEN
J.S.C.

FILED

MAR 19 2010

NEW YORK
COUNTY CLERK'S OFFICE