

SILLS CUMMIS RADIN
TISCHMAN EPSTEIN & GROSS, P.A.
One Riverfront Plaza
Newark, New Jersey 07102-5400
(973) 643-7000
Attorneys for Holly C. Bakke
the Commissioner of Banking and Insurance
of the State of New Jersey,
in her capacity as Liquidator of
Integrity Insurance Company

----- :
In the Matter of: Superior Court of New Jersey
: Chancery Division - Bergen County
: THE LIQUIDATION OF INTEGRITY : General Equity Part
INSURANCE COMPANY : Docket No. C-7022-86
: :
: :
----- : Civil Action

FOURTH AMENDED FINAL DIVIDEND PLAN

RECITALS

Integrity Insurance Company ("Integrity"), a New Jersey domestic stock insurance company, was adjudicated insolvent and placed into liquidation under the jurisdiction of this Court (the "Liquidation Court") by order dated March 24, 1987 (the "Liquidation Order"). The Liquidation Order vested the New Jersey Commissioner of Banking and Insurance and successors in office (the "Commissioner"), in the capacity of liquidator of Integrity (the "Liquidator"), with title to all property, contracts and rights of action of Integrity, and authorized the Liquidator to deal with them in the Liquidator's own name. The Liquidation Order directed the Liquidator to take possession and control of the property, business and affairs of Integrity, and to liquidate them pursuant to the provisions of N.J.S.A. 17:30C-1 *et seq.*, and under the Liquidation Court's general supervision.

Pursuant to N.J.S.A. 17:30C-20 (b) and 30, the Liquidation Court set a bar date for the filing of proofs of claim against the Integrity estate, and the Liquidator has processed, reviewed and valued all such claims. The Liquidator now proposes to establish procedures (i) pursuant to which all contingent claims against the estate that are deemed to be Absolute Claims may be allowed and paid; and (ii) for the final distribution of all estate assets.

NOW, THEREFORE, Holly C. Bakke, the Commissioner, as Liquidator, pursuant to N.J.S.A. 17:30C-15 (a) and (e), hereby proposes a Fourth Amended Final Dividend Plan as follows:

TABLE OF CONTENTS

<u>Part</u>		<u>Page</u>
1. Definitions.....		3
1.1	Absolute Claim	4
1.2	Administrative Reserve.....	4
1.3	Allowed Claim	4
1.4	Ancillary Receiver.....	4
1.5	Bar Date.....	4
1.6	Claim.....	4
1.7	Claimant.....	4
1.8	Claims Valuation Date.....	4
1.9	Commissioner	4
1.10	Consolidated Claim.....	4
1.11	Contingent Claim.....	4
1.12	Deputy Liquidator	4
1.13	Dividend.....	4
1.14	Dividend Valuation Date.....	4
1.15	Estate.....	4
1.16	Filed	5
1.17	Final Claims Filing Date.....	5
1.18	Final Proof of Claim	5
1.19	GA.....	5
1.20	General Assets	5
1.21	IBNR	5
1.22	Liquidation Court.....	5
1.23	Liquidation Order.....	5
1.24	Liquidator.....	5

1.25	Master	5
1.26	Net Present Value	5
1.27	Notice of Determination	5
1.28	Participating Reinsurers	6
1.29	Plan	6
1.30	Reinsurers	6
1.31	Reported Losses	6
1.32	Reserve Information.....	6
1.33	Ultimate Losses	6
2.	Administrative Reserve.....	6
3.	Amendment of Claims	7
4.	Adjustment and Allowance of Claims	9
5.	Reinsurer Liability, Allocations, and Commutations.....	14
6.	Dividends.....	16
7.	Indemnification	22
8.	Liquidator's Powers and Reservation of Rights	23
9.	Dissolution of Integrity and Termination of this Plan	24
10.	Rules of Construction	25
11.	Continuing Jurisdiction of the Liquidation Court.....	26
12.	Confidentiality	27

Part 1. Definitions

The following definitions shall apply in this Plan:

- 1.1 **Absolute Claim**: All or that part of any Claim for which the liability and value are fixed pursuant to this Plan as specified in detail in paragraph 4.4 below;

- 1.2 Administrative Reserve: The amount of monies, as established under Part 2 of this Plan, estimated to be incurred by the Liquidator subsequent to the Dividend Valuation Date for payment of the costs and expenses of administering the Estate, pursuant to N.J.S.A. 17:30C-26 (a);
- 1.3 Allowed Claim: All or that part of a Claim approved by the Liquidator and confirmed by the Liquidation Court;
- 1.4 Ancillary Receiver: A conservator, rehabilitator, or liquidator appointed in another state to administer claims made against Integrity or assets of Integrity, located in that state;
- 1.5 Bar Date: March 25, 1988;
- 1.6 Claim: An assertion of a right to share in a distribution of General Assets;
- 1.7 Claimant: Any person or entity who makes a Claim;
- 1.8 Claims Valuation Date: The last day of the calendar year quarter that first occurs at least thirty (30) days following the entry date of an Order approving this Plan by the Liquidation Court;
- 1.9 Commissioner: Holly C. Bakke, the New Jersey Commissioner of Banking and Insurance, and each of her predecessors and successors in office;
- 1.10 Consolidated Claim: A claim filed by two (2) or more GAs, any payment on which will be made to a third party designated by the GAs pursuant to ¶6.12 of this Plan;
- 1.11 Contingent Claim: All or that part of any Claim made under a policy of insurance or a reinsurance contract issued by Integrity whether or not reported to Integrity or the Liquidator, based upon an event which occurred on or prior to April 24, 1987, and during the period covered by the policy or contract, but as to which liability of the insured or reinsured, coverage under the policy or contract, or Net Present Value, has not been established;
- 1.12 Deputy Liquidator: The Deputy Liquidator appointed by the Commissioner pursuant to N.J.S.A. 17:30C-17;
- 1.13 Dividend: The amount of a Claimant's share in a distribution of General Assets;
- 1.14 Dividend Valuation Date: A date as soon as practicable after the issuance of all Final Notices of Determination upon which the Liquidator shall determine the aggregate amount of General Assets available for distribution and the aggregate value of all Allowed Claims;
- 1.15 Estate: All of Integrity's assets and liabilities;

- 1.16 Filed: The Liquidator's actual receipt of any claim, notice, objection or other document;
- 1.17 Final Claims Filing Date: The last business day of the calendar year quarter that first occurs at least ninety (90) days following the Claims Valuation Date;
- 1.18 Final Proof of Claim: A written statement meeting the requirements of N.J.S.A. 17:30C-20 or 28 (b) in the form annexed hereto as Exhibit A;
- 1.19 GA: The New Jersey Property - Liability Insurance Guaranty Association, established under N.J.S.A. 17:30A-6, or any similar organization established under the law of any other state, the District of Columbia or the U.S. territories, which is obligated by statute to pay claims owed by Integrity. The term "GA" does not include any residual market reinsurance or pooling mechanism. The term "GAs" refers to each GA obligated by statute to pay claims owed by Integrity;
- 1.20 General Assets: All of Integrity's real, personal and other property as defined in N.J.S.A. 17:30C-1 (g), which has not been set aside and included in the Administrative Reserve;
- 1.21 IBNR: Losses that have been incurred, based upon an event which occurred on or prior to April 24, 1987, and during the period covered by the policy of insurance or reinsurance contract, but no report or notice of a claim against the insured arising out of or relating to such losses have been made or given to Integrity or the Liquidator;
- 1.22 Liquidation Court: The Superior Court of New Jersey, Chancery Division-Bergen County, before which Integrity's liquidation proceeding is pending;
- 1.23 Liquidation Order: The order of liquidation entered against Integrity on March 24, 1987;
- 1.24 Liquidator: The New Jersey Commissioner of Banking and Insurance, acting solely in the capacity of receiver, and not as regulator, and each of the Liquidator's predecessors and successors in office, and Integrity's assistants, employees, agents and other representatives;
- 1.25 Master: A person with experience in handling insurance and/or reinsurance claims, as circumstances of the dispute(s) may require, appointed by the Liquidation Court pursuant to New Jersey Court Rule 4:41 to resolve disputes pursuant to Parts 4 and 5 of this Plan;
- 1.26 Net Present Value: The total present value of expected future cash inflows, less the total present value of all expected future cash outflows, discounted at an appropriate rate of return to be set by the Liquidation Court upon notice to all interested persons;
- 1.27 Notice of Determination: A written notice of the Liquidator's determination to allow or disallow a Claim in whole or in part in the form annexed hereto as Exhibit B;

- 1.28 Participating Reinsurers: Those reinsurers who have appeared as parties of record in the judicial proceedings for the approval of the Plan;
- 1.29 Plan: This Fourth Amended Final Dividend Plan and each of the exhibits attached hereto;
- 1.30 Reinsurers: Reinsurers or retrocessionnaires who assumed obligations to indemnify Integrity for all or part of a loss;
- 1.31 Reported Losses: Losses that have occurred, on which a claim has been made against the insured and report or notice of such claim has been made or given to Integrity, the Liquidator, Ancillary Receiver, or GA that may have responsibility for all or part of the losses;
- 1.32 Reserve Information: Materials or information submitted by or on behalf of any GA pursuant to this Plan in support of reported and Contingent loss and expense Claims and which relate to calculations, determinations or statements regarding (i) liability and/or coverage for any claims; (ii) actual or estimated value of any claims, and (iii) reserve amounts;
- 1.33 Ultimate Losses: The full settlement value of all present and future loss and allocated loss adjustment expense payments for reported and unreported claims.

Part 2. Administrative Reserve

- 2.1 The Liquidator shall apply to the Liquidation Court, on notice to all interested parties, to set aside from General Assets an Administrative Reserve. The Administrative Reserve shall not constitute General Assets, and shall be used for the payment of the costs and expenses of the administration of the Estate. The Administrative Reserve amount, which must be approved by the Liquidation Court, shall be calculated as follows: it shall be equal to the Liquidator's estimation of administrative expenses necessary until the conclusion of the Estate pursuant to this Plan. The Liquidator shall recommend an Administrative Reserve amount to the Liquidation Court no later than the Dividend Valuation Date.

- 2.2 The Liquidator may draw upon the Administrative Reserve from time to time to pay the costs and expenses described in ¶2.1 above, as they are incurred.
- 2.3 The Liquidator may make subsequent application(s) to the Liquidation Court, upon notice to all interested persons to set aside additional funds from General Assets to supplement the Administrative Reserve.
- 2.4 Upon entry of the order closing the Estate pursuant to Part 9 below, any funds remaining in the Administrative Reserve shall be distributed pursuant to N.J.S.A. 17:30C-26 (c) and 30 (b), or other applicable law.

Part 3. Amendment of Claims

- 3.1 All Contingent Claims as of the Claims Valuation Date must be amended and Filed on or before the Final Claims Filing Date in accordance with N.J.S.A. 17:30C-30. Claims shall be amended by filing a Final Proof of Claim in the appropriate form(s) attached to this Plan as Exhibit A and incorporated in this Plan by this reference.
- 3.2 Any and all Claims that were Filed after the Bar Date are deemed late-filed and accorded the priority of distribution set forth in N.J.S.A. 17:30C-30 (b). Notwithstanding any other provision of this Plan to the contrary, the Liquidator shall process a Proof of Claim received after the Bar Date but before the Final Claims Filing Date as timely Filed if the Liquidator cannot reasonably establish that the claimant previously received notice of the Bar Date and the claimant promptly notified the Liquidator after incurring or receiving a claim, that it did

not have actual knowledge of the Bar Date until after that date. However, the allowance of a Claim as timely that was first filed after the Liquidator's Bar Date is not intended to have any effect, and shall have no effect, either on the timeliness of filing with any GA or the actual or potential liability of any GA to the Claimant.

3.3 The Liquidator shall not allow any Contingent Claims for which no amendment in the form prescribed in ¶3.1 above is Filed on or before the Final Claims Filing Date.

- 3.4 (a) All Final Proofs of Claim submitted by GAs pursuant to this Plan for reimbursement of their reported Claims and Contingent Claims for losses shall be filed on or before the Final Claims Filing Date in accordance with ¶3.1 hereof;
- (b) All Final Proofs of Claim submitted by GAs pursuant to this Plan for reimbursement of their administrative expenses and loss adjustment expenses shall be filed (1) on or before the Final Claims Filing Date for expenses actually paid or incurred prior thereto and (2) on or before the Dividend Valuation Date for the combined amount of (i) expenses actually paid or incurred between the Final Claims Filing Date and the Dividend Valuation Date and (ii) the amount of expenses reasonably estimated to be incurred after the Dividend Valuation Date and through the conclusion of administering all Integrity claims for which the GAs have any statutory obligation. GA claims for expenses reimbursable pursuant to N.J.S.A. 17:30A-11(b) and N.J.S.A. 17:30C-26(c)(1) shall be paid out of General Assets and shall be payable in addition to any Dividends the GAs are otherwise entitled to receive under this Plan;

- (c) All proofs of claim and supporting documentation and information submitted by GAs, whether submitted prior to or pursuant to this Plan, shall be deemed to constitute Reserve Information;
- (d) Any group of two or more GAs may, but shall not be required to, submit their claims collectively in a Consolidated Claim; and
- (e) As of the Final Claims Filing Date, the GAs will advise the Liquidator in writing to what extent, if any, the claim they are filing pursuant to ¶3.1 above is a Consolidated Claim. Any such Consolidated Claim must in all other respects comply with requirements of this Plan.

Part 4. Adjustment and Allowance of Claims

- 4.1 The Liquidator shall process and review each Final Proof of Claim.
- 4.2 Within sixty (60) days after the Liquidator receives the Final Proofs of Claim pursuant to ¶3.1 above, the Liquidator shall provide notice thereof by first class mail to Reinsurers that the Liquidator determines may be obligated to pay, or indemnify Integrity for, any portion of the Claim(s) identified in such Final Proofs of Claim. Copies of such notices shall be concurrently provided to the designated GA Representative.
- 4.3 The Liquidator shall recommend that the Liquidation Court approve all or any part of a Claim for IBNR that is deemed Absolute as of the Claims Valuation Date. The Liquidation Court may only approve a Claim or that part of a Claim for IBNR that is deemed to be Absolute. A policyholder Claimant must submit information to value its Claim for IBNR which complies fully with the requirements contained in the Proof of Claim in the format annexed hereto as Exhibit A.

- 4.4 The Liquidator shall recommend that the Liquidation Court approve the Net Present Value of all or any part of a Claim for Reported Losses that is deemed to be Absolute as of the Claims Valuation Date. The Liquidation Court may only approve a Claim or that part of a Claim for Reported Losses that is deemed Absolute. A Claim for Reported Losses shall be deemed Absolute if coverage for, liability, and the Net Present Value of the Claim are established by qualified personnel employing standard reserving practices and claim adjustment procedures, consistently applied in a commercially reasonable manner and approved by the Liquidation Court and any appellate court(s) which may be requested to review the matter.
- 4.5 Within six (6) months, the Liquidator shall provide to any Claimant who returned a Final Proof of Claim either: (a) a Notice of Determination in the form attached to this Plan as Exhibit B and incorporated in this Plan by this reference; or (b) a notice that the Liquidator must delay acceptance or rejection of the Claim pending receipt, within thirty (30) days from the date of the notice, of further documentation to support the Claim. Any such notice shall be provided by first class mail to the claimant's address shown in the most recently Filed Final Proof of Claim.
- 4.6 On the date a Notice of Determination is mailed to a Claimant under ¶4.5 above, the Liquidator shall provide a copy thereof by first class mail to the designated GA Representative, as well as those Reinsurers that the Liquidator determines are obligated to indemnify Integrity for any portion of the Claim(s) identified in the Notice of Determination.
- 4.7 Except as otherwise provided in this Plan, the GA, the Claimant and/or Reinsurers may object to the Liquidator's acceptance or rejection in whole or in part of a Claim and their written objections, if any, shall be Filed within sixty (60) days from the mailing of the Notice

of Determination pursuant to the Liquidation Order provided, however, that GAs shall have ninety (90) days in which to file their objection(s) with respect to disallowance(s) of GA Notices of Determination. If no objection is received by the Deputy Liquidator within sixty (60) days from the mailing of the Notice of Determination, or within ninety (90) days in the case of GAs, the Liquidation Court shall confirm the allowance or disallowance as the final determination and judgment of the Liquidation Court with regard to the Claim, and any and all Claimant(s) or Reinsurer(s) directly affected by the Claim shall be barred thereafter from objecting to the allowance or disallowance of such Claim. GAs may obtain one additional period not to exceed thirty (30) days in which to object upon request made to the Liquidator.

- 4.8 If an objection is properly and timely Filed and the Liquidator does not amend the Notice of Determination or otherwise resolve the objection with the agreement of the objecting Claimant, any objecting GA, and any objecting Reinsurer, the Liquidator shall apply to the Liquidation Court, on not less than fifteen (15) nor more than thirty (30) days' prior written notice to the Claimant, Reinsurer, and the designated GA representative, for appointment of a Master to hear the objection. If the Liquidator, the GAs collectively, and Participating Reinsurers collectively cannot agree to the selection of a candidate, these parties will each select one candidate and provide a list (total of three) to the Liquidation Court from which the Master's appointment will be made. The hearing before the Master shall be held as soon as practicable, but no later than sixty (60) days from the date of receipt of the objection by the Master. Any party to the objection may request in writing that the Master extend the time of the hearing for good cause shown. All objections filed on behalf of any GA shall be deemed to constitute Reserve Information.

- 4.9 The Master shall determine the manner in which the hearing is to be conducted, provided that each objecting party wishing to be heard shall be given an opportunity to make written and oral submissions.
- 4.10 The Master shall, within sixty (60) days after the date of the hearing before the Master, submit to the Liquidator, the GA that objected, the Claimant, any Reinsurer who objected, and the Liquidation Court findings of fact, conclusions of law and a written recommendation for resolving Notice of Determination objections, e.g., as to coverage, liability, Net Present Value, and timely filing the disputed Claim.
- 4.11 (a) The Master's findings of fact shall be accepted and approved by the Liquidation Court unless the Liquidation Court determines that they are contrary to the weight of the evidence; provided, however, that the rights of all parties to appeal any such finding, recommendation, or determination are fully preserved.
- (b) The Liquidation Court's determination regarding a claim against the Estate shall be binding upon the Claimant, the Liquidator, and any Reinsurer, provided, however, that the rights of all parties to appeal any such determination are fully preserved.
- 4.12 (a) The failure of a Claimant or GA that may have responsibility to pay all or any part of the claim to avail itself of the procedures set forth in this Part 4 with respect to a Claim shall be deemed an acceptance of, and waiver of any objection or challenge to, the Liquidator's or, if appropriate, the Master's determination of the allowance of the Claim, and a full and complete release and discharge of Integrity, the past, present and future Commissioner, Liquidator, Deputy Liquidator and all clerks, attorneys,

accountants and consultants employed by any of them, and to the extent allowed by their respective governing statutes, any GA having a statutory obligation to the claimant, of any and all claims of any kind or description whatsoever, whether in law or equity, known or unknown, arising out of or relating to the subject Claim.

- (b) Regardless of whether a GA that may have responsibility to pay all or any part of a Claim (i) avails itself of the procedures set forth in this Part 4 with regard to the Claim, or (ii) fails to avail itself of such procedures with regard to the Claim, such GA shall be deemed to have accepted only the final determination by the Liquidator or Master, or any appellate court which may be requested to review the determination, of the amount of the Claim for purposes of calculating dividends pursuant to this Plan. No such determination shall have any effect on the actual or potential liability of any GA to the Claimant or on any GA reimbursement claim filed with the Liquidator.

- 4.13 The failure of a Reinsurer to avail itself of the procedures set forth in this Part 4 with respect to a Claim shall be deemed an acceptance of, and waiver of any objection or challenge to, the Liquidator's or, if appropriate, the Master's determination of any Reinsurers' liability to the Estate on account thereof, and a full and complete release and discharge of Integrity, the past, present and future Commissioner, Liquidator, Deputy Liquidator and all clerks, attorneys, accountants and consultants employed by any of them, of any and all claims of any kind or description whatsoever, whether in law or equity, known or unknown, arising out of or relating to the subject Claim.

Part 5. Reinsurer Liability, Allocations, and Commutations

- 5.1 The Liquidator shall determine Reinsurers' liability based upon the Estate's liability for Allowed Claims without diminution because of Integrity's insolvency or because the Liquidator has failed to pay all or part of an Allowed Claim.
- 5.2 Cessions to Reinsurers of Allowed Claims will be made on a consistent basis as follows: Allowed Claims for Reported Losses of Claimants and Allowed Claims for IBNR Losses and allocated loss expense ("ALE") shall be ceded in accordance with the respective reinsurance contract provisions.
- 5.3 With respect to each Notice of Determination mailed to a Claimant by the Liquidator, the Liquidator shall send to Reinsurers by first class mail a statement of net reinsurance receivables due to the Estate, within thirty (30) days after resolution of the Claim pursuant to Part 4 above.
- 5.4 Written objections of a Reinsurer to the Liquidator's determination of net reinsurance receivables due to the Estate for that Reinsurer's contracts shall be Filed with the Liquidator, within sixty (60) days from the mailing of such statement from the Liquidator. The failure of a Reinsurer to avail itself of this procedure shall be deemed an acceptance of, and a waiver of any objection or challenge to, the cessions and the balances due to Integrity shall be immediately due and payable.
- 5.5 Notwithstanding anything contained herein to the contrary, the following reinsurance issues shall be the exclusive province of the Liquidation Court and shall not be arbitrable:

- (a) set offs claimed by reinsurers;
- (b) the allowance, amount, and priority of distribution of claims allowed by the Liquidator;
- (c) the allocation of allowed claims to reinsurance contracts; and
- (d) other issues specifically relating to application of N.J.S.A. 17:30C-1 *et seq.*

5.6 If the objection is not settled within sixty (60) days after it is Filed, then the dispute shall be referred to a Master for resolution in accordance with the following procedure:

- (a) Within ninety (90) days after the Liquidator's request, the Liquidation Court shall schedule a hearing before the Master. The Liquidator shall give not less than thirty (30) days' notice of the hearing by first class mail to the Reinsurer, the designated GA representative, and any other persons directly affected;
- (b) The Master shall determine the manner in which the hearing is to be conducted, provided that all interested parties shall be given an opportunity to make written and oral submissions;
- (c) Within sixty (60) days after the hearing, the Master shall submit to the Liquidator, the Reinsurer, the designated GA representative, any other directly affected party and the Liquidation Court findings of fact, conclusions of law and a recommendation in writing;
- (d) The Master's findings of fact shall be accepted and approved by the Liquidation Court unless the Liquidation Court determines that they are contrary to the weight of the evidence; provided, however, that the rights of all parties to appeal any such finding, recommendation, or determination are fully preserved; and

- (e) The Liquidation Court's determination regarding such a Reinsurer's objection shall be binding upon the objecting Reinsurer and the Liquidator, provided, however, that the rights of all parties to appeal any such determination are fully preserved.
- 5.7 With respect to reinsurance contracts to which Integrity is a party, the Liquidator may negotiate a voluntary commutation and release of all obligations arising out of such contracts. The Liquidation Court shall approve commutation and release agreements voluntarily entered into by the parties if such agreements are determined to be commercially reasonable, and in the best interests of Integrity's creditors.
- 5.8 Except as otherwise contained in this Plan or in N.J.S.A. 17:30 C-1 *et seq.*, insurers which ceded obligations to or assumed obligations from Integrity shall retain the rights and obligations contained in their respective reinsurance contracts.
- 5.9 All payment obligations due from a Reinsurer to the Liquidator, other than obligations arising from voluntary commutations pursuant to ¶5.8 hereof, shall be paid in full within ninety (90) days of the determination of such obligations pursuant to the provisions of this Plan.

Part 6. Dividends

- 6.1 On the Dividend Valuation Date, the Liquidator shall determine the proposed amount of General Assets available for distribution and the proposed aggregate value of all Allowed Claims to be recommended to the Liquidation Court, upon notice to all interested persons, for approval.

- 6.2 The Liquidator shall determine, on or before the Dividend Valuation Date, the Dividends, if any, payable to Claimants within each level of priority set forth in N.J.S.A. 17:30C-26 (c) and pursuant to the late-filed claim provision set forth in N.J.S.A. 17:30C-30 (b).
- 6.3 As soon as practicable after approval by the Liquidation Court of the Dividends described in paragraph 6.2 above, the Liquidator shall tender Dividends pursuant to the priority of distribution scheme set forth in N.J.S.A. 17:30C-26 (c) and the late-filed claim provision set forth in N.J.S.A. 17:30C-30 (b).
- 6.4 The Liquidator shall not tender a Dividend to a Claimant within a given level of priority until Dividends have been tendered to all Claimants in the preceding level of priority equal to the amount of their Allowed Claims.
- 6.5 Dividends may be tendered only on Allowed Claims. No Dividend shall be tendered on that part of any Claim which is not deemed Absolute by the Final Claims Filing Date.
- 6.6 If, prior to the Dividend Valuation Date either: (a) the Liquidator has made any distributions of General Assets to a Claimant; or (b) a Claimant has received a payment from an ancillary receiver of Integrity pursuant to N.J.S.A. 17:30C-18, then such Claimant shall not receive any further Dividend on its Allowed Claim until all other Claimants within the same level of priority have received Dividends the amount of which, when expressed as a percentage of their Allowed Claims, is equal to the percentage tendered to such Claimant.
- 6.7 In the event that the General Assets available for distribution to Claimants in a given level of priority are less than the aggregate amount of all Allowed Claims within that level, the Liquidator shall tender Dividends to each such Claimant equal to: (a) such Claimant's Allowed Claim; multiplied by (b) the quotient resulting from the division of: (i) the

aggregate amount of General Assets available for distribution to Claimants in such level; by
(ii) the aggregate amount of Allowed Claims within that level.

- 6.8 All Dividends shall be tendered by check in lawful currency of the United States of America. Each Dividend check shall be made payable to the Claimant and/or any person or entity entitled to receive or share in such payment, and shall be delivered by first class mail, postage prepaid, addressed to the Claimant or such person or entity at its last known address, or by such other method of delivery as the Liquidator, exercising reasonable discretion, deems appropriate.
- 6.9 Upon tender of a Dividend to a Claimant, the Liquidator shall set aside from General Assets an amount equal to the Dividend. Such amount shall not constitute General Assets for purposes of distributing Dividends to other Claimants or supplementing the Administrative Reserve, but any interest earned thereon shall constitute General Assets and be held only for the Estate's benefit.
- 6.10 No Claimant shall be entitled to receive interest on its Allowed Claim.
- 6.11 The Liquidator shall not tender a Dividend to a Claimant if (a) the amount of its Allowed Claim is equal to or less than One Hundred Dollars (\$100.00) or (b) its aggregate Allowed Claims are equal to or less than Three Hundred Dollars (\$300.00), unless the Liquidation Court shall direct otherwise.
- 6.12 Dividends on all Allowed Claims of GAs shall be tendered to the GAs individually or, for a Consolidated Claim, as specified in ¶3.4(d)(e) above. Within ninety (90) days subsequent to the Final Claims Filing Date, the GAs participating in a Consolidated Claim must submit to the Liquidator either the name of the designated third party payee or a schedule that would

provide for distribution to individual GA payees of the aggregate Dividends payable on the Consolidated Claim. If the GAs fail to file such a plan or for any GA electing not to participate in such a plan, the Liquidator shall pay the full amount of the Dividends due directly to such GAs in accordance with their respective Allowed Claims.

(See paragraphs 4.5 – 4.8)

- 6.13 Not later than ninety (90) days prior to the proposed dividend payment date, and prior to the Liquidator making any distribution to claimants on account of paid losses, the Liquidator shall provide the designated GA Representative with a listing of all claimants and the amount of the intended distributions to such claimants. The GAs shall, within sixty (60) days of receipt of such notice, advise the Liquidator whether they have made payment to the Claimants on account of such losses and, to the extent they have made such payment, the Allowed Claims of the Claimants and their corresponding distributions shall be reduced.
- 6.14 (a) No Claimant may recover any payment from a GA on account of unpaid losses or expenses included in its Allowed Claim until, and then only to the extent that, a subsequently paid loss or expense covered by an Integrity policy exceeds the amount of the Dividend on the unpaid losses and expenses.
- (b) All or such portion of any dividend payments as to which, on the date such payment is otherwise proposed to be made under this Plan, uncertainty exists whether such dividend amount or any portion thereof should be paid to the claimant or to a GA shall, pending resolution of such uncertainty, be retained by the Liquidator and deposited into a separate, segregated interest bearing account maintained solely for such purposes. For purposes of this paragraph, such uncertainty shall be deemed

resolved and the Liquidator shall act in accordance with either (i) written instructions signed by both the claimant and any GA having a potential claim to such dividend amounts, or (ii) a final court order which determines the proper recipient(s) of such dividend amount. Any interest which accrues on such retained amounts shall follow the ultimate disposition of the dividend amounts involved.

- 6.15 Tender of a Dividend on an Allowed Claim shall constitute a full and final settlement of Integrity's obligations on the underlying Claim, and a full and complete release and discharge of Integrity and the past, present and any future Commissioner, Liquidator, Deputy Liquidator and all clerks, attorneys, accountants and consultants employed by any of them, of any and all claims, of any kind or description whatsoever, whether arising in law or in equity, known and unknown, arising out of or relating to the underlying Claim. Such tender shall also constitute a full settlement and release of any GA to the extent the GA has a right under this Plan and/or its governing statute to obtain, either fully or partially, a credit, offset or reduction in any statutory payment obligation it would otherwise have on such claim.
- 6.16 The Liquidator shall not, after the Dividend Valuation Date, make further applications to the Liquidation Court pursuant to N.J.S.A. 17:30C-31, or other applicable law, for approval of any proposal to disburse General Assets to any GA or other person or entity; provided, however, (a) application for annual Early Access distributions will continue to be made to GAs during the first calendar quarter until such time as the Dividend Valuation Date occurs, and (b) application for annual interim distributions may be made as deemed appropriate by the Liquidator.

6.17 Dividends remaining unclaimed in the control of the Liquidator for one (1) year after the final distribution shall escheat pursuant to N.J.S.A. 46:30B-36, provided, however, the GAs reserve the right to seek approval of the Liquidation Court to have such unclaimed dividends transferred, assigned, and paid to them rather than allowing such funds to escheat.

Part 7. Indemnification

- 7.1 If a cause of action is commenced, or any other claim or allegation is made or brought, against the Commissioner, Liquidator or Deputy Liquidator, or any of their predecessors or successors, whether in their personal or official capacity, alleging property damage, property loss, personal injury or other civil liability arising out of or relating to any act, error or omission of such Commissioner, Liquidator, Deputy Liquidator, counsel, clerks, or assistants committed within the scope of their duties or course of employment involving Integrity, then the Commissioner, Liquidator, Deputy Liquidator, counsel, attorneys, accountants, clerks, or assistants shall be indemnified solely to the extent such alleged acts or omissions relate to the Final Dividend Plan unless it is determined upon a final adjudication on the merits that the act, error or omission of such Commissioner, Liquidator, Deputy Liquidator, counsel, clerks, or assistants giving rise to the cause of action, claim or allegation did not arise out of or by reason of their aforesaid duties or employment or, if so, was caused by their intentional, wilful or wanton misconduct. This provision shall not be construed as limiting the indemnification of the above-referenced individuals for claims arising in connection with the Integrity estate not related to the Final Dividend Plan.
- 7.2 Subject to the Liquidation Court's prior approval, any attorneys' fees, expenses and costs incurred by the Commissioner, Liquidator, Deputy Liquidator, counsel, clerks, or assistants in defending an action for which indemnity may be available under this Part 7 shall be paid out of General Assets as they are incurred and in advance of the final disposition of such action. The Liquidation Court shall not give such prior approval unless it has received a written undertaking by or on behalf of the Commissioner, Liquidator, Deputy Liquidator,

counsel, clerks, or assistants to repay all amounts advanced under this ¶7.2 if ultimately it shall be determined upon a final adjudication on the merits that the Commissioner, Liquidator, Deputy Liquidator, counsel, clerks, or assistants is not entitled to indemnity under this Part 7.

Part 8. Liquidator's Powers and Reservation of Rights

- 8.1 The Liquidator shall have the power to exercise, pursue or take advantage of any lawful right, power or remedy as is necessary and proper to implement this Plan, including, but not limited to, the power to reserve or utilize General Assets to meet Integrity's obligations under this Plan.
- 8.2 Nothing contained or implied in this Plan shall operate, or be construed, interpreted or applied, as a limitation or qualification of any right, defense, indemnification, immunity or other protection or remedy heretofore or hereafter available to the Commissioner, Liquidator, Deputy Liquidator, or any GA, including, but not limited to, any right, defense, indemnification, immunity or other protection or remedy which the Commissioner, Liquidator, Deputy Liquidator, or any GA may have or exercise under New Jersey statutes, or any amendments to, or any regulations promulgated under, New Jersey statutes or court or administrative agency decisions interpreting such statutes or regulations.
- 8.3 Subject to the prior approval of the Liquidation Court, on notice to the GAs and the Participating Reinsurers, the Liquidator may amend the Plan as the Liquidation Court, upon motion of the Liquidator, shall authorize or direct. Prior to approval of such amendment, the GAs and Participating Reinsurers shall have an opportunity to be heard to clarify or otherwise oppose any such proposed amendment. The Liquidation Court shall hold a hearing

to resolve any dispute concerning the Liquidator's plans to amend or otherwise clarify the Plan.

Part 9. Dissolution of Integrity and Termination of this Plan

- 9.1 After the Liquidator has distributed all General Assets remaining under the Liquidator's control in accordance with Part 6 above, (a) Integrity and the past, present and any future Commissioner, Liquidator, Deputy Liquidator, counsel, and all clerks, attorneys, accountants and consultants employed by any of them shall be fully and completely released and discharged of any and all claims of any kind or description whatsoever, whether in law or in equity, known or unknown, arising out of or relating to these proceedings and the Plan, and (b) the Liquidator shall submit a final report to and shall petition the Liquidation Court for Integrity's dissolution pursuant to N.J.S.A. 17:30C-9 (b).
- 9.2 This Plan shall terminate upon the entry by the Liquidation Court of an order closing the Estate; however, the provisions of ¶¶3.4(c), 4.11, 4.12, 4.13, 6.14, 6.15 and 6.16, and Parts 1 and 7 through 12, shall survive the termination of this Plan and the closing of the Estate.
- 9.3 In the event that: (a) any Claimant did not receive a Dividend in the amount of its Allowed Claim, or (b)(i) the Liquidator receives General Assets including interest, or other accrual therein after Dividends have been tendered to Claimants, but before entry of the order closing the Estate; and (b)(ii) the Liquidator determines that it is not economical to distribute any such General Assets to such Claimants, then the Liquidator shall petition the Liquidation Court for instructions for the distribution of such assets. Prior to the entry of the Order

closing the Estate, the Liquidator shall provide the GAs and the Participating Reinsurers with an accounting of the amount of General Assets acquired after dividends and a specific plan for the disposition of same. Should any GA or any Participating Reinsurer object to the Liquidator's plan to distribute those assets, such party may bring an application for relief to the Liquidation Court.

- 9.4 In the event that the Liquidator receives any General Assets after the entry of the order closing the Estate pursuant to ¶9.2 above, the Liquidator may petition the Liquidation Court, on notice to the GAs and Participating Reinsurers, for the entry of an order re-opening the Estate, and for instructions for the distribution of such assets. Should any GA or any Participating Reinsurer object to the Liquidator's plan to distribute those assets, any such party may bring an application for relief to the Liquidation Court.

Part 10. Rules of Construction

- 10.1 The headings and captions herein are inserted for convenience of reference only, and shall not serve to limit, expand or interpret paragraphs or parts to which they apply.
- 10.2 Words of the masculine, feminine and neuter gender, where the context requires, shall also mean and include the correlative words of other genders. Words importing singular number, where the context requires, shall also mean and include the plural number and vice versa.
- 10.3 In the event that any section of this Plan is found to be ambiguous, such ambiguity will not be construed against the Liquidator but shall be resolved by the Liquidation Court.
- 10.4 Whenever under the terms of this Plan the time for performance of a condition falls upon a Saturday, Sunday or any Federal or New Jersey State holiday, such time for performance shall be extended to the next business day.

- 10.5 In the event that any one or more of the provisions of this Plan shall be declared by the Liquidation Court or an appellate Court to be invalid, illegal or unenforceable in any respect, the Liquidation Court shall, upon request of any party, hold a hearing as soon as is reasonably practicable to determine the extent to which, if any, the validity, legality and enforceability of the remaining provisions contained in this Plan are affected or impaired by such declaration.

Part 11. Continuing Jurisdiction of the Liquidation Court

- 11.1 Subject to other provisions in this Plan, the Liquidation Court shall have sole and exclusive continuing jurisdiction over this Plan, the distribution of General Assets and the administration of Integrity's liquidation. Such continuing jurisdiction shall also extend to the enforcement of confidentiality rights and restrictions relating to Reserve Information.
- 11.2 Throughout the pendency of this Plan, the Liquidation Court shall also have sole and exclusive jurisdiction to enforce any confidentiality restrictions over information.
- 11.3 Except as otherwise provided in this Plan, all challenges of, and disputes concerning, relating to the meaning, applicability or enforceability of this Plan, which have not been settled, compromised or adjourned between the parties, shall be presented to the Liquidation Court and may not be submitted to arbitration.
- 11.4 In addition to any other remedies, any person who obstructs or interferes with the Commissioner, Liquidator or Deputy Liquidator in the conduct of Integrity's liquidation or the implementation of this Plan shall be subject to the contempt powers of the Liquidation Court. Any person who has become the subject of contempt proceedings shall be provided an opportunity to be heard.

Part 12. Confidentiality

- 12.1 Reserve Information is privileged information and confidential work-product which (a) shall not be disclosed to anyone who is not subject to the Final Dividend Plan; (b) shall not be used in any proceeding related to the Final Dividend Plan for the purpose of establishing any GA liability to any claimant; and (c) shall not be used in any current or future litigation or other proceeding not directly related to the Final Dividend Plan for any purpose without the prior written express approval of the GA(s) furnishing the information or an order of the Liquidation Court. The Liquidation Court may provide Reinsurers access to Reserve Information under such terms as are necessary or reasonable to protect its confidential and/or privileged status. Reserve Information is to be used solely for the purposes of calculating, determining or liquidating claims under the Plan and shall be used for no other purposes. The Liquidator, any GA, and any other person or entity desiring to do so may enter into one or more separate written agreements with respect to such confidentiality protections.
- 12.2 Reserve Information shall bear a stamp indicating that the material is "Privileged and/or Confidential Business Information -- Subject to Court Order." The failure to stamp Reserve Information shall not waive any claim of privilege or confidential status. Reserve Information filed with the Liquidation Court or disclosed in any pleading or other papers filed with the Liquidation Court (including any motions relating to the confidentiality of Reserve Information) shall be filed under seal and delivered to the Liquidation Court bearing the stamp "Privileged and/or Confidential Business Information -- Subject to Court Order." Any portion of a written submission to the Liquidation Court that discloses Reserve Information shall be filed in the manner prescribed in this paragraph.

- 12.3 An individual or entity with an interest of any kind, arising at any time, under a claim that has been or will be calculated, determined or liquidated by the Liquidation Court is bound by the Liquidation Court's determination regarding the privileged and confidential nature of Reserve Information.
- 12.4 Nothing in the Final Dividend Plan, nor any action of the parties taken in connection with the requirements of the Final Dividend Plan, shall limit or waive any common law or statutory privileges or protections with respect to Reserve Information.
- 12.5 The Liquidation Court has sole and exclusive jurisdiction over the disposition of Reserve Information.

Holly C. Bakke
the Commissioner of Banking and Insurance
of the State of New Jersey,
in her capacity as Liquidator of
Integrity Insurance Company

Dated:

By: _____
Richard L. White
Deputy Liquidator