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Insurance of the State of New Jersey in his  
capacity as Liquidator of the Estate of  
Integrity Insurance Company

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In the Matter of:

THE LIQUIDATION OF  
INTEGRITY INSURANCE  
COMPANY

SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION: BERGEN COUNTY  
GENERAL EQUITY PART  
Docket No. C-7022-86

Civil Action

NOTICE OF MOTION FOR ORDER  
APPROVING THE LIQUIDATOR'S  
PROPOSED LIQUIDATION  
CLOSING PLAN

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TO: ALL PERSONS ON THE ATTACHED SERVICE LIST

PLEASE TAKE NOTICE that on May 27, 2008 at 9:00 a.m. in the forenoon, or as soon thereafter as counsel may be heard, the undersigned, Mazie Slater Katz & Freeman, LLC, (David A. Mazie, Esq. appearing), attorneys for Steven M. Goldman, Commissioner of Banking and Insurance of the State of New Jersey, in his capacity as liquidator (the "Liquidator") of the estate (the "Estate") of Integrity Insurance Company ("Integrity"), shall move before the Honorable William C. Meehan, P.J.S.C. at the Bergen County Superior Court, Justice Center, 10 Main Street, Hackensack, New Jersey, for an Order Approving the Liquidator's proposed Liquidation Closing Plan.

PLEASE TAKE FURTHER NOTICE that the undersigned shall rely upon the within Notice of Motion, proposed form of Order, and supporting Certification of Deputy Liquidator Richard L. White.

PLEASE TAKE FURTHER NOTICE that, a proposed form of order is submitted herewith.

MAZIE SLATER KATZ & FREEMAN, LLC  
Attorneys for Steven M. Goldman,  
Commissioner of Banking and Insurance of  
the State of New Jersey, in his capacity as  
Liquidator of the Estate of Integrity Insurance  
Company

BY: \_\_\_\_\_

  
DAVID A. MAZIE

Dated: March 14, 2008

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IN THE MATTER OF: : SUPERIOR COURT OF NEW JERSEY  
: CHANCERY DIVISION: BERGEN COUNTY  
: GENERAL EQUITY PART  
: DOCKET NO.: C-7022-86  
: **CIVIL ACTION**  
THE LIQUIDATION OF :  
INTEGRITY INSURANCE : **CERTIFICATION OF RICHARD L. WHITE**  
COMPANY : **IN SUPPORT OF LIQUIDATOR'S MOTION**  
: **FOR APPROVAL OF A LIQUIDATION**  
: **CLOSING PLAN**  
:  
:

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RICHARD L. WHITE, of full age, hereby certifies and states:

1. I am the Deputy Liquidator of the estate (the "Estate") of Integrity Insurance Company ("Integrity"). I submit this Certification based upon the Liquidator's books and records kept in the ordinary course of business in support of the Liquidator's motion for approval of a Liquidation Closing Plan. A copy of the Liquidation Closing Plan is annexed hereto as Exhibit 1.

A. Overview

2. The Liquidation Closing Plan (the "Plan") seeks to expedite the liquidation of Integrity and the closure of the Estate in a manner that will fairly treat all affected parties, maximize the assets available to pay claimants, and minimize the impact of Integrity's insolvency on the public. To summarize, the Plan will institute procedures whereby:

- (1) absolute claims within the meaning of N.J.S.A. 17:30C-28 will be adjudicated through valuation and allowance by the Liquidator;
- (2) any reinsurance on such claims will become due and be collected;
- (3) the Liquidator will arrive at a final determination of Integrity's assets and liabilities and the distribution percentage to be paid on all allowed claims entitled to the priorities of distribution set forth in N.J.S.A. 17:30C-26(c); and
- (4) a final liquidation dividend will be paid on all allowed claims.

3. Through these procedures, the Plan will greatly accelerate the time when final distributions will be paid to Integrity's claimants. It will further maximize Integrity's assets by terminating Integrity's liquidation many years before some claims would otherwise become absolute, avoiding substantial future administrative expenses and avoiding the risk of future reinsurer insolvency that may make it impossible to collect some reinsurance recoverables that would be due the Estate.

**B. Introduction**

4. Integrity was a stock company domiciled in New Jersey that was admitted to transact various lines of property and casualty insurance in all 50 states. On December 30, 1986, the Superior Court of New Jersey, Chancery Division, Bergen County (the "Liquidation Court") entered an Order finding Integrity to be insolvent, placing it in rehabilitation, and appointing Kenneth Merin, then the New Jersey Commissioner of Insurance, and his statutory successors in office (collectively, the "Commissioner"), as rehabilitator of Integrity. On March 24, 1987, the Liquidation Court entered an Order ("Liquidation Order") whereby the Liquidation Court placed Integrity in liquidation, appointed the Commissioner as Liquidator of Integrity pursuant to N.J.S.A. 17:30C-9, and directed the Liquidator to marshal Integrity's assets and liquidate its liabilities for the

benefit of all claimants against its Estate. In January 2006, the Hon. Steven M. Goldman became the Commissioner and, thus, now serves as Liquidator.

5. Acting pursuant to the authority set forth in N.J.S.A. 17:30C-17 and the Liquidation Order, the Liquidator appointed me, by Order dated June 19, 1995, as Deputy Liquidator to direct the day-to-day process of liquidating, marshaling and administering the assets of Integrity for ultimate distribution to its claimants. I am a Certified Public Accountant with approximately twenty-five years of experience in the insurance industry. I was formerly associated with the public accounting firms of Wailoo & White and Arthur Young & Company. I have also previously served as Chief Financial Officer of Skandia America Corporation and Crum & Forster, Inc.

**C. Conduct of the Liquidation Proceeding**

6. Subsequent to Integrity being placed in liquidation, the Liquidator has been engaged in marshaling Integrity's assets and liquidating its liabilities. Notice of Integrity's liquidation and proof of claim forms were sent to tens of thousands of Integrity's policyholders, persons with claims against its policyholders, and other creditors. To date, approximately 26,000 claims have been filed with the Liquidator, many of which have been paid in part or in full by insurance guaranty associations. Many of the claims filed with the Liquidator are absolute as to coverage, liability, and amount; others remain contingent. The Liquidation Order permitted policyholders who were not yet aware of claims covered by their policies to file "Policyholder Protection" claims essentially reserving their right in the future to assert claims based on events that occurred prior to the entry of the Liquidation Order.

7. Prior to liquidation, Integrity obtained reinsurance on most of the risks it insured. The reinsurance treaties and facultative certificates contained provisions to the effect that:

In the event of the insolvency of the Company [Integrity], this reinsurance shall be payable directly to the Company, or to its liquidator, receiver, conservator, or statutory receiver on the basis of the liability of the Company without diminution because of the insolvency of the Company or

because the liquidator, receiver, conservator, or statutory successor of the Company has failed to pay all or a portion of any claim.

Throughout the liquidation of Integrity, upon allowance of a claim, the Liquidator has billed and proceeded to collect any reinsurance that is determined to be due to the Estate on the claim. The Liquidator has also entered into numerous commutations with reinsurers whereby the reinsurers paid the Estate the present value of their estimated future obligations.

8. The Liquidator also brought numerous suits against various persons, including former agents of Integrity, who owed funds to the Estate. In addition, the Liquidator brought a suit against certain of Integrity's former management and independent auditor in connection with the events leading to Integrity's insolvency. These lawsuits effected substantial recoveries for the Estate and have now been concluded.

9. At December 31, 2007, the Liquidator had distributed \$467 million to Fourth Priority Guaranty Association ("GA") and Non Guaranty Association ("non-GA") claimants based on distribution rates of 70% for GAs and 65% for non-GAs. As of December 31, 2007, the Liquidator has \$340.6 million in unrestricted assets available to pay claims and administrative expenses. Further, the Liquidator has Fourth Priority claims against the Estate totaling approximately \$713.9 million. As indicated above, however, numerous claims against the Estate remain contingent. The Contingent Claims are comprised of case reserves and incurred but not reported ("IBNR") losses. An IBNR loss is a loss which occurred on or prior to April 24, 1987, and during a period covered by a policy, but for various reasons has not been reported and become absolute as to coverage, liability, and amount.

10. It may take over 10 years for all IBNR losses covered by Integrity's policies to be reported and become absolute. The primary reasons for the delayed reporting are the nature of the losses; i.e., environmental and product liability claims, and the fact that many of Integrity's policies are not typically triggered until exhaustion of underlying coverages.

11. The Liquidator estimates that as of December 31, 2007, the value of the IBNR losses was \$56.5 million. In addition, the Estate had outstanding case reserves (“reported claims”) of approximately \$345.7 million. Accordingly, as of December 31, 2007, the Estate’s liability for Contingent Claims was estimated to be approximately \$402.2 million.

12. The Liquidator further estimates that as of December 31, 2007, reinsurance totaling \$27.5 million and \$2 million would be potentially recoverable on the contingent claims for reported claims and IBNR losses, respectively. Because additional reinsurers may become insolvent over the next 10 or more years it will take for the losses to fully develop, it is uncertain whether all the reinsurance will be collectible.

**D. Alternative to the Final Dividend Plan**

13. Traditionally, the liquidation of an insurance company was conducted on a “run-off basis”; i.e., it would continue until substantially all claims had become absolute. There are, however, at least three significant drawbacks to this approach. First, the run-off approach results in substantial delay in paying claimants their ultimate distribution. Second, during the extended period of the liquidation, reinsurers may become insolvent and reinsurance due Integrity may become uncollectible. Finally, the run-off approach results in diminishing the assets available to pay claimants, because the Liquidator must incur administrative expenses in continuing the liquidation. The Liquidator presented a Final Dividend Plan that sought to avoid these drawbacks. After considerable discovery and an evidentiary hearing, this Court approved the Fourth Amended Final Dividend Plan (“FDP”). In a December 13, 2007 decision a sharply divided New Jersey Supreme Court affirmed the Appellate Division’s rejection of the FDP as inconsistent with the absolute claims provision of the liquidation statute N.J.S.A. 17:30C-28. In the case of Integrity, the Liquidator’s administrative expenses totaled approximately \$3.8 million in 2007. In view of the extended reporting period for the IBNR losses, the Estate would have to remain open for 10 or more years while all IBNR losses were liquidated. The Liquidator has determined that avoidance of the delay in paying claimants and the future administrative

expenses that will be incurred, is in the best interest of Integrity's claimants, policyholders, and the general public.

**E. The Liquidation Closing Plan**

14. In view of the New Jersey Supreme Court decision in respect of contingent claims, the Liquidator has determined that it is in the best interest of Integrity's claimants, policyholders, and the general public, for the liquidation of the Estate to be completed pursuant to a process which permits the Liquidator to: (1) allow all absolute claims; (2) collect from reinsurers any reinsurance that will be due on such claims; (3) arrive at a final determination of Integrity's assets and liabilities; (4) calculate the percentage to be paid; and (5) make a final distribution.

15. Upon approval of this Plan, a Final Proof of Claim form will be sent to all persons who previously filed Contingent Claims against the Estate, including claims for policyholder protection.

16. With the assistance of qualified claims analysts, the Liquidator will value all claims and allow appropriate claims. In the event of a dispute over the allowance or amount of a claim, the dispute will be referred to the Master appointed by the Liquidation Court in its Order of December 23, 2005 pursuant to N.J. Court Rule 4:41, and as clarified and confirmed in its Order of June 27, 2007. Once a claim has been allowed, any reinsurance due Integrity in connection with the claim will be due and the Liquidator will proceed to collect it from the reinsurer.

17. In the event that any disputes arise with reinsurers concerning the terms of their contracts or the amounts due thereunder, such disputes will be resolved as provided for in the subject reinsurance contract.

18. The Liquidation Closing Plan is a reasonable attempt to determine the amount of the claims and liabilities of all persons impacted by Integrity's liquidation consistent with the liquidation statute and the common law of New Jersey. Moreover, it will conclude the liquidation substantially before it would otherwise be concluded, thereby

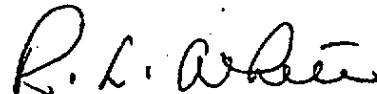


avoiding expenditure of millions of dollars in administrative expenses and further delay in compensating the victims of Integrity's insolvency.

19. Timely filed claims were submitted to the Liquidator by the federal government. The federal government contends that pursuant to a federal statute, 31 U.S.C. §3713(a), giving it priority ahead of other claimants, it is entitled to be paid in full with interest before any other claimant receives a distribution of Integrity's assets. The Liquidator has disputed this position. While the federal government has not substantiated most of its claims, pursuant to negotiations with the federal government whereby the federal government consented to the Early Access distributions to guaranty associations, the Liquidator has specifically allocated \$11.4 million of IBNR for the federal government's claims. The Liquidator is currently in the process of attempting to negotiate a settlement of the federal government's claims. The Liquidator, therefore, considers this an open issue.

20. Accordingly, we respectfully request that the Liquidation Court issue an Order approving the Liquidation Closing Plan.

21. I hereby certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.



RICHARD L. WHITE

Dated: March 13, 2008

(H:\DAM\Integrity\FDP\Cert. - White - for FDP App. 03-05-08)

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**LIQUIDATION CLOSING 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 such claims. The Liquidator now proposes to establish procedures pursuant to which (i) all additional Absolute Claims may be allowed; (ii) for the final disbursement of all estate assets; and (iii) for the closing of the Integrity estate.

**NOW, THEREFORE,** Steven M. Goldman, the Commissioner, as Liquidator, pursuant to N.J.S.A. 17:30C-15 (a) and (e), hereby proposes a Liquidation Closing Plan as follows:

**TABLE OF CONTENTS**

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

1.22 Master.....	5
1.23 Notice of Determination.....	5
1.24 Plan.....	5
2. Administrative Reserve.....	5
3. Amendment of Claims .....	6
4. Adjustment and Allowance of Claims .....	7
5. Distributions.....	9
6. Indemnification .....	11
7. Liquidator's Powers and Reservation of Rights.....	12
8. Dissolution of Integrity and Termination of this Plan .....	13
9. Rules of Construction.....	14
10. Continuing Jurisdiction of the Liquidation Court.....	15

### **Part 1. Definitions**

The following definitions shall apply in this Plan:

- 1.1 **Absolute Claim:** All or that part of any covered Claim for which the liability and value has been fixed by actual payment by the Claimant or by judgment of a court of law and has not been previously allowed by the Liquidator;
- 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 Distribution 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 evidenced by the issuance of a Notice of Determination form.
- 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 disbursement of General Assets;

- 1.7 Claimant: Any person or entity who makes a Claim;
- 1.8 Commissioner: Steven M. Goldman, the New Jersey Commissioner of Banking and Insurance, and each of his predecessors and successors in office;
- 1.9 Deputy Liquidator: The Deputy Liquidator appointed by the Commissioner pursuant to N.J.S.A. 17:30C-17;
- 1.10 Distribution: The amount of a Claimant's share in a disbursal of General Assets;
- 1.11 Distribution 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 disbursal and the aggregate value of all Allowed Claims;
- 1.12 Estate: All of Integrity's assets and liabilities;
- 1.13 Filed: The Liquidator's actual receipt of any claim, notice, objection or other document;
- 1.14 Final Bar Date: No Claim will be considered for allowance unless it became Absolute on or before **June 30, 2009**.
- 1.15 Final Claims Filing Date: All supporting claim documentation must be filed by **September 30, 2009**, for claims that became absolute on or before **June 30, 2009**.
- 1.16 Final Proof of Claim: A written statement from the claimant, with supporting documentation, in the form annexed hereto as Exhibit A;
- 1.17 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;
- 1.18 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;
- 1.19 Liquidation Court: The Superior Court of New Jersey, Chancery Division, Bergen County, before which Integrity's liquidation proceeding is pending;
- 1.20 Liquidation Order: The order of liquidation entered against Integrity on March 24, 1987;

- 1.21 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;
- 1.22 Master: A person with experience in handling insurance claims appointed by the Liquidation Court pursuant to New Jersey Court Rule 4:41 to resolve disputes pursuant to Part 4 of this Plan;
- 1.23 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;
- 1.24 Plan: This Liquidation Closing Plan and each of the exhibits attached hereto.

## **Part 2. Administrative Reserve**

- 2.1 The Liquidator shall apply to the Liquidation Court 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 together with the calculation of the final distribution rate.
- 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 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 8 below, any funds remaining in the Administrative Reserve shall be disbursed 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 Claims that became Absolute on or before the Final Bar Date, which have not been previously allowed by the Liquidator, must be Filed with full supporting documentation on or before the Final Claims Filing Date. Claims must be submitted using the Final Proof of Claim form as 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). The timely filing of an omnibus proof of claim form before the Bar Date of March 25, 1988, preserved the claimant's right to file a Claim at a later time. 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 additional Absolute Claim unless a Final Proof of Claim form, as prescribed in ¶3.1 above, with full supporting documentation, is Filed on or before the Final Claims Filing Date.
- 3.4 (a) A Final Proof of Claim submitted by a GA pursuant to this Plan for reimbursement of their Absolute Claims for losses paid must be Filed on or before the Final Claims Filing Date in accordance with ¶3.1 hereof;
- (b) Final Proof of Claim submitted by a GA pursuant to this Plan for reimbursement of their paid administrative expenses must be Filed on or before the Final Claims Filing Date in accordance with ¶3.1 hereof.

#### **Part 4. Adjustment and Allowance of Claims**

- 4.1 The Liquidator shall process and review each Final Proof of Claim form Filed.
- 4.2 The Liquidator shall provide to the Claimant a Notice of Determination in the form attached to this Plan as Exhibit B and incorporated in this Plan by this reference. 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.
- 4.3 Except as otherwise provided in this Plan, the Claimant may object to the Liquidator's acceptance or rejection in whole or in part of the Claim and their written objection, if any, shall be Filed within sixty (60) days from the date of the Notice of Determination pursuant to the Liquidation Order. If no objection is received by the Deputy Liquidator within sixty (60) days from the date of the Notice of Determination, the allowance or disallowance shall become the final determination.



- 4.4 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, the Liquidator shall apply to the Liquidation Court, on not less than fifteen (15) and not more than thirty (30) days' prior written notice to the Claimant, for appointment of a Master to hear the objection. 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. The Claimant or the Liquidator may request in writing that the Master extend the time of the hearing for good cause shown.
- 4.5 The Master shall determine the manner in which the hearing is to be conducted, provided that the Claimant and the Liquidator shall be given an opportunity to make written and oral submissions.
- 4.6 The Master shall, within sixty (60) days after the date of the hearing before the Master, submit to the Liquidator, the Claimant 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, and timely filing of the disputed Claim.
- 4.7 (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 both 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 and the Liquidator, provided, however, that the rights of both parties to appeal any such determination are fully preserved.

#### **Part 5. Distributions**

- 5.1 On the Distribution Valuation Date, the Liquidator shall determine the proposed amount of General Assets available for disbursement and the proposed aggregate value of all Allowed Claims to be recommended to the Liquidation Court for approval.
- 5.2 The Liquidator shall determine, on or before the Distribution Valuation Date, the Distributions, 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).
- 5.3 If, prior to the Distribution 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 Distribution on its Allowed Claim until all other Claimants within the same level of priority have received Distributions the amount of which, when expressed as a percentage of their Allowed Claims, is equal to the percentage tendered to such Claimant.
- 5.4 A motion will be filed with the Liquidation Court for approval of the proposed distribution schedules. As soon as practicable after approval by the Liquidation Court of the motion, the Liquidator shall tender the Distributions.

- 5.5 All Distributions shall be tendered by check in lawful currency of the United States of America. Each Distribution 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.
- 5.6 Upon tender of a Distribution to a Claimant, the Liquidator shall set aside from General Assets an amount equal to the Distribution. Such amount shall not constitute General Assets for purposes of disbursing Distributions 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.
- 5.7 The Liquidator shall not tender a Distribution to a Claimant if the amount of its Allowed Claim is equal to or less than One Hundred Dollars (\$100.00).
- 5.8 Acceptance of a final Distribution 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 future Commissioner, Liquidator, Deputy Liquidator, employees of Integrity, attorneys, accountants, clerks or assistants 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.
- 5.9 Distributions 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.

## Part 6. Indemnification

- 6.1 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, employees of Integrity, attorneys, accountants, clerks, or assistants committed within the scope of their duties or course of employment involving Integrity, then the Commissioner, Liquidator, Deputy Liquidator, employees of Integrity, attorneys, accountants, clerks, or assistants shall be indemnified solely to the extent to which such alleged acts or omissions relate to the Liquidation Closing Plan unless it is determined upon a final adjudication on the merits that the act, error or omission of such Commissioner, Liquidator, Deputy Liquidator, employees of Integrity, attorneys, accountants, 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 course of employment or, if so, was caused by their intentional, willful 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 Estate not related to the Liquidation Closing Plan.
- 6.2 Subject to the Liquidation Court's prior approval, any attorneys' fees, expenses, and costs incurred by the Commissioner, Liquidator, Deputy Liquidator, employees of Integrity, attorneys, accountants, clerks, or assistants in defending an action for

which indemnity may be available under this Part 6 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, employees of Integrity, attorneys, accountants, clerks, or assistants to repay all amounts advanced under this ¶6.2 if ultimately it shall be determined upon a final adjudication on the merits that the Commissioner, Liquidator, Deputy Liquidator, employees of Integrity, attorneys, accountants, clerks, or assistants is not entitled to indemnity under this Part 6.

#### **Part 7. Liquidator's Powers and Reservation of Rights**

- 7.1 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.
- 7.2 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.

- 7.3 Subject to the prior approval of the Liquidation Court, the Liquidator may amend the Plan as the Liquidation Court, upon motion of the Liquidator, shall authorize or direct. The Liquidation Court shall hold a hearing to resolve any dispute concerning the Liquidator's plans to amend or otherwise clarify the Plan.

#### **Part 8. Dissolution of Integrity and Termination of this Plan**

- 8.1 After the Liquidator has distributed all General Assets remaining under the Liquidator's control in accordance with Part 5 above, (a) the Liquidator shall submit a final report to the Liquidation Court and shall petition the Court for Integrity's dissolution pursuant to N.J.S.A. 17:30C-9 (b); and (b) Integrity and the past, present and future Commissioner, Liquidator, Deputy Liquidator, employees of Integrity, attorneys, accountants, and all clerks, or assistants 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.
- 8.2 In the event that: (a) any Claimant did not receive a Distribution in the full amount of its Allowed Claim; or (b)(i) the Liquidator receives General Assets including interest, or other accrual thereon after Distributions 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 disburse any such General Assets

to such Claimants, then the Liquidator shall petition the Liquidation Court for instructions for the disbursal of such assets.

- 8.3 In the event that the Liquidator receives any General Assets after the entry of the order closing the Estate pursuant to ¶8.2 above, the Liquidator may petition the Liquidation Court, for the entry of an order re-opening the Estate, and for instructions for the disbursal of such assets.

#### **Part 9. Rules of Construction**

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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.

**Part 10. Continuing Jurisdiction of the Liquidation Court**

- 10.1 Subject to other provisions in this Plan, the Liquidation Court shall have sole and exclusive continuing jurisdiction over this Plan, the disbursal of General Assets and the administration of Integrity's liquidation.
- 10.2 Throughout the pendency of this Plan, the Liquidation Court shall also have sole and exclusive jurisdiction to enforce any confidentiality restrictions over information.
- 10.3 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.

Steven M. Goldman,  
the Commissioner of Banking and Insurance  
of the State of New Jersey,  
in his capacity as Liquidator of  
Integrity Insurance Company

BY:   
Richard L. White, Deputy Liquidator

Dated: March 13, 2008