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

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	:	SUPERIOR COURT OF NEW JERSEY
	:	CHANCERY DIVISION: BERGEN COUNTY
	:	GENERAL EQUITY PART
	:	DOCKET NO.: C-7022-86
IN THE MATTER OF:	:	
	:	
THE LIQUIDATION OF	:	
INTEGRITY INSURANCE	:	CIVIL ACTION
COMPANY	:	
	:	
	:	
	:	
	:	
	:	
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**AMENDED 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:

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**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, including claim resolution procedures approved by a federal bankruptcy court, 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 disbursal 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 By January 28, 2010, which is 120 days from the Final Claims Filing Date, 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. The Liquidator may obtain from the Liquidation Court an extension of this deadline upon a showing of good cause. 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. On the date a Notice of Determination is mailed to a Claimant, the Liquidator shall provide a copy thereof by first class mail to the applicable GA.

- 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, upon motion of the Liquidator with notice to the service list, as the Liquidation Court 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, with notice to the service list, 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.

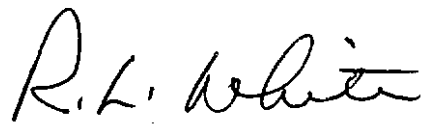
**Part 10. Continuing Jurisdiction of the Liquidation Court**

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: June 12, 2008