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DEPUTY ATTORNEY GENERAL

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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION-MERCER COUNTY
DOCKET NO.: MER-C-62-03

I/M/O THE REHABILITATION
OF SECURITY INDEMNITY
INSURANCE COMPANY.

Civil Action

ORDER TO SHOW CAUSE
WITH TEMPORARY RESTRAINTS
AND
DECLARATION OF INSOLVENCY

THIS matter having been opened to the Court by Peter C. Harvey, Attorney General of New Jersey, by James A. Carey, Jr., Deputy Attorney General, as attorney for plaintiff, Holly C. Bakke, Commissioner of the Department of Banking and Insurance of the State of New Jersey ("Commissioner"), on a Petition for Liquidation of Security Indemnity Insurance Company ("Security Indemnity"), for an Order directing all persons having an interest in or claim against Security Indemnity to appear and show cause why an Order should not be entered, pursuant to N.J.S.A. 17:30C-8 and -9, providing for the liquidation of Security Indemnity, termination of the Order of Rehabilitation of Security Indemnity entered on June 27, 2003, and imposing injunctive relief pursuant to N.J.S.A.

17:30C-5, and the Court having considered the Letter Brief, and the Certifications of Donald Bryan, Director of Insurance, Karen Mitchell, Assistant Commissioner of the Office of Solvency Regulation, and Andrew Alberti, Deputy Rehabilitator, and good cause appearing;

IT IS on this 29th day of January, 2004;

ORDERED that:

(1) Any person having an interest in or claim against Security Indemnity appear and show cause before the Honorable Neil H. Shuster, Presiding Judge, Chancery Division, Superior Court of New Jersey, 210 S. Broad Street, ^{5th Floor,} Trenton, New Jersey on March 16, 2004, at 1:30 P.m., or as soon thereafter as counsel may be heard, why an Order should not be entered;

(a) appointing the Commissioner as Liquidator of Security Indemnity with all the powers and authority expressed or implied by N.J.S.A. 17:30C-1, et seq.

(b) directing the Commissioner to liquidate Security Indemnity;

(c) terminating the Order of Rehabilitation of Security Indemnity entered on June 27, 2003;

(d) permanently enjoining all persons and entities from pursuing litigation against Security Indemnity, or from interfering with the Commissioner's efforts to liquidate Security Indemnity;

(e) halting all further payment of claims by Security Indemnity, with certain exceptions, until further order of this Court;

(f) providing that all claims must be asserted against Security Indemnity no later than one year from date of the Order of Liquidation, in the form established by the Commissioner, or such claims will be forever barred;

(g) establishing procedures governing the payment of claims by Security Indemnity;

(h) granting the Commissioner such other injunctive and equitable relief as may be necessary to protect the policyholders and creditors of Security Indemnity, and the public, as the Court may deem just and proper; and

DECLARATION OF INSOLVENCY, PAYMENT OF CLAIMS AND LITIGATION STAY

(2) Effective immediately on entry of this Order, and until further Order of this Court, Security Indemnity is declared to be insolvent. This declaration is without prejudice, and shall not preclude the shareholders of Security Indemnity, who deny that Security is insolvent, from contesting the Commissioner's Petition for Liquidation or the Declaration of Insolvency on the return date of this Order to Show Cause, or at a subsequent hearing. The Commissioner shall have the burden of proof in the same manner as if this declaration of insolvency had not been entered. The purpose of this declaration is to permit payment of claims by the

N.J. Property Liability Insurance Guaranty Association. Payment by Security Indemnity of any and all claims on policies issued by Security Indemnity shall hereby be stayed, except with the express written consent of the Commissioner or her designees until the return date of this Order; and

(3) In continuation of the prior Court Orders dated November 13, 2003, January 9, 2004, and January 23, 2004, effective immediately and pending the return date of this Order to Show Cause, all court actions, arbitrations, and mediations currently or hereafter pending in which Security Indemnity is a party in the State of New Jersey or elsewhere, including but not limited to the action currently pending in the Superior Court of New Jersey, Chancery Division, captioned Holly C. Bakke, Commissioner of the New Jersey Department of Banking and Insurance v. ABC Insurance Company (a fictitious designation for Security Indemnity), GMAC Re Corporation, Motors Insurance Corporation, and MIC Re Corporation, Docket Number MER-C-125-02, and all court actions, arbitrations, and mediations currently or hereafter pending against an insured of Security Indemnity in the State of New Jersey or elsewhere are hereby stayed; and

NOTICE

(4) A copy of this Order to Show Cause (the Petition for Liquidation, supporting certifications, and Letter Brief having been served on January 22, 2003) shall be served within 5 days

Of the date hereof on all parties listed on the Petition for liquidation, said service to be made by regular mail, or by personal service, either of which means of service shall be deemed sufficient service of process upon the defendants; and

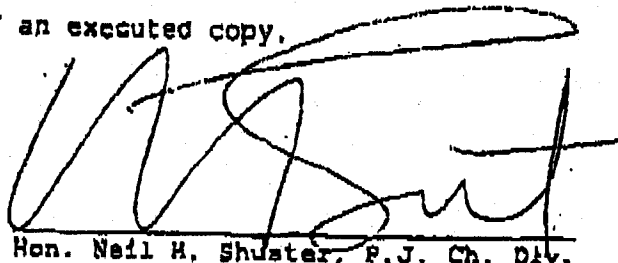
(5) Notice of this application to any other interested parties shall be accomplished by publishing a copy of this Order in a newspaper of general circulation in the county within which Security Indemnity's corporate offices are located, specifically, The Asbury Park Press, The Wall Street Journal, The Newark Star Ledger, The Courier-Post, The New Jersey Lawyer, and The New Jersey Law Journal on or before February 13, 2004; and that such Notice shall constitute good and sufficient notice of this application to all persons having an interest in or claim against Security Indemnity subject to the requirements of due process of law; and

(6) If any interested party intends to file answering affidavits or briefs or seek other relief in the present matter, such papers shall be filed with the Court and served upon Deputy Attorney General James A. Carey, Jr., attorney for the Commissioner, on or before March 1, 2004 ~~at least _____ days before the return date of this~~ Order to Show Cause, and the Commissioner may file reply papers, on or before March 8, 2004 ~~at least _____ day(s) before the return date of this Order to Show Cause;~~ and

(7) A copy of this Order to Show Cause and all supporting materials, filed herewith, shall be available for public inspection during regular business hours beginning 2 days after the date of this Order and until the return date of the Order To Show Cause at the following locations:

- (a) Security Indemnity Insurance Co. In Rehabilitation
1355 Campus Parkway
Neptune, N.J. 07754
- (b) N.J. Department of Banking and Insurance
Office of Solvency Regulation
20 West State Street, 8th Floor
Trenton, N.J. 08625
- (c) Superior Court of New Jersey
Mercer County
210 South Broad Street, 5th Floor
Trenton, N.J. 08650-0068

(8) The Commissioner's representatives shall serve a copy of this Order by fax upon all Civil Presiding Judges and all Civil Case Managers upon receipt of an executed copy.



Hon. Neil H. Shuster, P.J. Ch. Div.