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 ATTORNEY GENERAL OF NEW JERSEY  
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SUPERIOR COURT OF NEW JERSEY  
 CHANCERY DIVISION-MERCER COUNTY  
 DOCKET NO.

STEVEN M. GOLDMAN, COMMISSIONER )	<u>Civil Action</u>
OF THE DEPARTMENT OF BANKING )	
AND INSURANCE OF NEW JERSEY, )	VERIFIED COMPLAINT
Plaintiff, )	FOR AN ORDER TO SHOW CAUSE
v. )	WITH TEMPORARY RESTRAINTS
CONSUMER FIRST INSURANCE )	PURSUANT TO RULE 4:52
COMPANY, )	AS TO WHY
Defendant. )	AN ORDER OF REHABILITATION
_____ )	SHOULD NOT BE ENTERED

Plaintiff, Steven M. Goldman, Commissioner of Banking and Insurance ("Commissioner"), and his successors in office, with his principal office at 20 West State Street, Trenton, Mercer County, complaining of defendant, says:

PARTIES

1. The Office of the Commissioner of the Department of Banking and Insurance (the "Department") was created and now exists pursuant to N.J.S.A. 17:1-1 et seq.

2. The Commissioner is responsible for the regulation and control of, inter alia, property and casualty insurance companies domiciled in New Jersey.

3. Consumer First Insurance Company ("Consumer First") is a New Jersey domiciled property and casualty insurer authorized to transact insurance business in New Jersey since January 2, 2002.

4. Consumer First's book of business is comprised of policies written by Consumer First in New Jersey. Consumer First has been under consensual Administrative Supervision pursuant to N.J.S.A. 17:51A-1 et seq., since April 27, 2004. As of November 30, 2008, Consumer First had approximately 6,825 in-force policies and approximately 1,220 open claims.

#### JURISDICTION AND VENUE

5. The Commissioner has jurisdiction to institute and maintain this action pursuant to N.J.S.A. 17:30C-1 et seq.

6. Venue is properly laid in Mercer County because the cause of action arises by action of the Commissioner whose principal office is located in Mercer County.

#### LEGAL AUTHORITY

7. Pursuant to N.J.S.A. 17:30C-1 et seq., the Commissioner is authorized to apply to this Court for an Order directing him to rehabilitate an insurer that is in such condition that further transaction of business would be hazardous to its policyholders, stockholders, creditors or to the public. Such

grounds exist in this case in light of the findings that Consumer First has experienced, or will experience in the foreseeable future, cash flow and liquidity problems.

8. By letter dated January 5, 2009, Consumer First consented to the entry of the Order of Rehabilitation, which provides additional legal authority for this action.

9. At all times relevant, Consumer First was governed by the provisions of N.J.S.A. 17:17-1 et seq.

10. In 2003, Consumer First wrote a significantly higher volume of business than it had projected it would write, and its liquidity ratio became sufficiently high to warrant closer scrutiny of its financial data. This led the Department to place Consumer First into consensual confidential Administrative Supervision pursuant to N.J.S.A. 17:51A-1 et seq. Certification of Raymond Conover ("Conover Certification"), ¶¶ 5, 6, and 9, and Exhibits A, B, and D.

11. N.J.S.A. 17:30C-6 permits the Commissioner to apply to the court for an Order directing him to rehabilitate the business of a domestic insurer when it is found that the insurer is, inter alia, in such a condition that further transaction of business by the insurer would be hazardous to its policyholders, stockholders, creditors or the general public. N.J.S.A. 17:30C-6(a) and (f).

12. Consumer First's financial condition, as represented by its deteriorating surplus position, which is now below minimum capital and surplus requirements pursuant to N.J.S.A. 17:17-1 et seq., makes the further transaction of business by Consumer First hazardous to its policyholders, creditors and the public.

13. Accordingly, the Commissioner has determined that Consumer First should be placed in rehabilitation.

WHEREFORE, plaintiff demands an Order declaring that:

(1) Consumer First is in a financial condition such that further operation would be hazardous to its policyholders, creditors and the public and appointing the Commissioner and his successors in office, as Rehabilitator to rehabilitate Consumer First in accordance with N.J.S.A. 17:30C-1 et seq.; and further

(2) giving the Rehabilitator and his successors in office all the powers and authority express or implied in N.J.S.A. 17:30C-1 et seq. and set forth in the Order of Rehabilitation which is being filed herewith; and further

(3) vesting the Rehabilitator with immediate title to, and exclusive possession of, and control over, the business and affairs of Consumer First and all real and personal property, assets, funds, accounts, records, files or any other property, assets or possessions of any nature of Consumer First wherever situated or located, including but not limited to the property and

business of its New Jersey domiciled direct or indirect insurance subsidiaries; and further

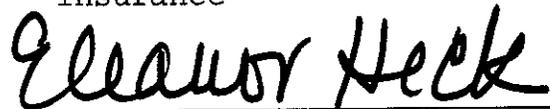
(4) directing the Rehabilitator to take immediate and exclusive possession and control of the businesses and affairs of Consumer First and its New Jersey domiciled direct and indirect insurance subsidiaries, as well as all of their real and personal property, assets, files, records, accounts and funds wherever located and to immediately begin removing the causes and conditions that have made rehabilitation necessary; and further

(5) restraining and enjoining all persons or entities, including but not limited, to Consumer First, its officers, directors or stockholders, from further conducting the business of Consumer First; and further

(6) granting such other relief as the Court may deem appropriate.

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Plaintiff,  
Commissioner of Banking and  
Insurance

By:



Eleanor Heck  
Deputy Attorney General

Dated: February 11, 2009

DESIGNATION OF TRIAL COUNSEL

Deputy Attorney General Eleanor Heck is hereby designated as trial counsel in this matter.

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Plaintiff,  
Commissioner of Banking and  
Insurance

By: Eleanor Heck  
Eleanor Heck  
Deputy Attorney General

Dated: February 11, 2009

CERTIFICATION

Plaintiff hereby certifies pursuant to R. 4:5-1 that there are no other civil proceedings either pending or contemplated with respect to the matter in controversy herein and no other parties who shall be joined to this action.

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Plaintiff,  
Commissioner of Banking and  
Insurance

By: Eleanor Heck  
Eleanor Heck  
Deputy Attorney General

Dated: February 11, 2009

VERIFICATION

I, RAYMOND K. CONOVER, of full age, certify:

I am the Assistant Commissioner of the Office of Solvency Regulation for the Department. I have held this position since 2004. Prior to 2004, I held the position of Chief Insurance Examiner for the Department. My responsibilities include monitoring the financial condition of all insurance entities transacting business in New Jersey. I have read the Complaint and certify that the allegations contained in the Complaint are true to the best of my knowledge and belief.

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



RAYMOND K. CONOVER  
Assistant Commissioner,  
Office of Solvency Regulation

Dated: February \_\_, 2009