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*ATTORNEYS FOR COMMISSIONER OF THE DEPARTMENT
OF BANKING AND INSURANCE*

COLLATERAL ACCOUNT: 142755
CHARGE REFERENCE: 045821999

**IN THE MATTER OF THE
LIQUIDATION OF SECURITY
INDEMNITY INSURANCE
COMPANY**

**SUPERIOR COURT OF
NEW JERSEY
MERCER COUNTY
CHANCERY DIVISION**

DOCKET NO.: MER-C-62-03

NOTICE OF MOTION

TO: See Service List

TAKE NOTICE that the undersigned attorneys for the Commissioner of Banking and Insurance of the State of New Jersey, in his capacity as Liquidator of Security Indemnity Insurance Company, will move before The Honorable Patrick J. Bartels, P.J. Ch., at the Superior Court of New Jersey, Mercer County, Chancery Division, Mercer County Civil Courts Building, 175 South Broad Street, Trenton, New Jersey 08650-0068, on February 14, 2025, at 9:00 a.m., or as soon thereafter as counsel may be heard, for an Order approving the final accounting of the assets and liabilities of the estate of Security Indemnity Insurance Company, closing of the liquidation estate, and release of the Commissioner of the State of New Jersey Department of Banking and Insurance, and the Commissioner of the State of New Jersey Department of Banking and Insurance, as Liquidator of Security Indemnity Insurance Company.

In support of the application, the undersigned will rely on the attached Certification of Michelina A. Lombardo and the exhibits attached thereto.

Pursuant to R. 1:6-2(d), oral argument is waived unless an objection is filed.

A proposed form of Order is attached.

Date: January 28, 2025

By: /s/Evan Barenbaum
Evan Barenbaum, Esq.

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**IN THE MATTER OF THE LIQUIDATION
OF SECURITY INDEMNITY INSURANCE
COMPANY**

**SUPERIOR COURT OF
NEW JERSEY
MERCER COUNTY
CHANCERY DIVISION**

DOCKET NO.: MER-C-62-03

**CERTIFICATION OF
MICHELINA A. LOMBARDO**

I, Michelina A. Lombardo, being of full age and authorized to make this statement hereby provide:

1. I am the Deputy Liquidator of the estate of Security Indemnity Insurance Company in Liquidation (“*Security Indemnity*” or “*Estate*”). In my capacity as Deputy Liquidator, I have personal knowledge of the facts set forth herein. I submit this Certification in support of the Motion by Justin Zimmerman, Commissioner of Banking and Insurance of the State of New Jersey, as Liquidator of Security Indemnity Insurance Company, for an order in the form proposed, approving the final accounting of the assets and liabilities of the estate of Security Indemnity Insurance Company in Liquidation, closing of the Estate, and release of the Commissioner, and the Commissioner, as Liquidator of Security Indemnity Insurance Company in Liquidation.

2. On December 15, 2023, the Honorable Patrick J. Bartels, P.J. Ch., granted the Commissioner's Motion for an Order approving the determination of claims, confirming the final distribution of assets, authorizing the elimination of records, and closing of the Estate. A copy of the December 15, 2023 Order (the "**Order**") is attached hereto as Exhibit "A".

3. As demonstrated herein, the Liquidator has complied with the Order, and having made a final distribution, the Liquidator now files the Final Accounting in accordance with paragraphs 12 and 13 of the Order, such that the Estate may be closed. The Security Indemnity Insurance Company in Liquidation Statement of Financial Condition at December 31, 2024 Final Accounting (the "**Final Accounting**") is attached hereto as Exhibit "B".

4. The final distribution of \$8,148,383.93 was paid out of the assets of the Estate as required by paragraph 3 of the Order to the remaining eligible Class One claimant, the New Jersey Property- Liability Insurance Guaranty Association, and Class Four claimants, pursuant to N.J.S.A. 17:30 C-31.

5. As indicated in the Final Accounting, there is an Administrative Reserve of \$9,562.14 remaining in the Estate. The Liquidator seeks permission to use the Administrative Reserve to pay any remaining administrative expenses of the Estate, including, without limitation, operating costs (including the records to be eliminated as described within the Order), salary expenses, and any remaining legal expenses up through final discharge.

6. If there is any excess Administrative Reserve after payment of administrative expenses of the Estate, the Liquidator proposes to distribute that sum to Security Indemnity allowed claimants on a *pro rata* basis. To ensure that the administrative costs associated with such distributions are minimized, while distributions to the allowed claimants within the same priority are maximized, the Liquidator seeks permission to establish a *de minimis* level of recovery. To the extent the Liquidator determines that it is impractical or uneconomical to disburse any excess Administrative Reserve to any allowed claimant(s), then the Liquidator proposes to escheat those sums to the State of New Jersey Department of the Treasury, Unclaimed Property Administration.

7. Once the proposed order accompanying this Motion is entered, and therefore this matter closed, should the Commissioner receive any assets that would have otherwise been attributed to the Estate, the Commissioner proposes to escheat those sums to the State of New Jersey Department of the Treasury, Unclaimed Property Administration as it would be impractical and uneconomical to disburse any excess assets to any allowed claimant(s) after bank accounts and all related accounts have been closed.

8. The Liquidator proposes to distribute the Administrative Reserve in the quarter next following entry of the proposed order accompanying this Motion.

9. Any remaining bank accounts will be closed once the Administrative Reserve is distributed.

10. The Liquidator has complied with the Order in all respects, and therefore, in accordance with paragraph 12 of the Order, the New Jersey Commissioner of Banking and Insurance, the New Jersey Commissioner of Banking and Insurance, as Liquidator of Security Indemnity Insurance Company, the Deputy Liquidator, and their agents, attorneys, employees, successors, assigns, and other representatives and agents request that they be forever discharged, released and held harmless from any and all liability arising out of the confidential administrative supervision, rehabilitation and liquidation of Security Indemnity.

11. By virtue of the proposed order accompanying this motion, the Commissioner as Liquidator of Security Indemnity Insurance Company and/or his Deputy Liquidator requests authority to take any and all additional actions they deem advisable for the administration and closing of the Estate, without need for further application to the Court.

12. The Deputy Liquidator will review the Security Indemnity postings currently in the Rehabilitation/Liquidation section of the New Jersey Department of Banking and Insurance public website and provide the Liquidator or his designated representative with copies of any past documents to be published as well as any newly formed documents to be included.

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.

Dated: January 28, 2025

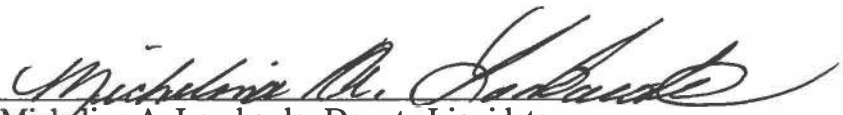

Michelina A. Lombardo, Deputy Liquidator

EXHIBIT “A”

EVAN BARENBAUM, ESQUIRE
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*ATTORNEYS FOR COMMISSIONER OF THE DEPARTMENT
OF BANKING AND INSURANCE*

FILED

December 15, 2023

**SUPERIOR COURT OF NJ
MERCER VICINAGE
CHANCERY**

**IN THE MATTER OF THE
LIQUIDATION OF SECURITY
INDEMNITY INSURANCE
COMPANY**

**SUPERIOR COURT OF
NEW JERSEY
MERCER COUNTY
CHANCERY DIVISION**

DOCKET NO.: MER-C-62-03

ORDER

THIS MATTER having been opened to the Court by Stern & Eisenberg, PC, attorneys for Justin Zimmerman, Acting Commissioner of Banking and Insurance of the State of New Jersey, in his capacity as Liquidator of Security Indemnity Insurance Company, upon notice to all parties requiring notice, for an Order approving the determination of claims, confirming the final distribution of assets, authorizing the elimination of records, and closing of the estate of Security Indemnity Insurance Company in Liquidation (the "*Estate*"), and the Court having considered the moving papers and any opposition papers thereto, if any, and for good cause shown:

IT IS on the 15th day of December, 2023.

ORDERED as follows:

1. Plaintiff's Motion is **GRANTED**.
2. The Security Indemnity Insurance Company in Liquidation Proposed Final Distribution Formula, in accordance with the allocations identified in the Certification of Michelina A. Lombardo at Exhibit Appendix 61, appended hereto, is approved.

3. The Liquidator is authorized to, and shall initiate, an \$8,148,383.93 final distribution to priority one and priority four claimants, pursuant to N.J.S.A. 17:30C-31, as set forth below.

4. The Liquidator shall distribute \$23,610.27 to the sole priority one claimant, the New Jersey Property-Liability Insurance Guaranty Association, identified in the Certification of Michelina A. Lombardo at Exhibit Appendix 62, line 5, appended hereto.

5. The Liquidator shall distribute \$7,660,377.08 to six (6) priority four Guaranty Association claimants, identified in the Certification of Michelina A. Lombardo at Exhibit Appendix 62, line 14, appended hereto, as follows:

- a. Connecticut Insurance Guaranty Association: \$76,784.26;
- b. Maryland Property & Casualty Insurance Guaranty Corporation: \$49,004.29;
- c. Minnesota Insurance Guaranty Association: \$7,132.77;
- d. New Jersey Property-Liability Insurance Guaranty Association: \$5,514,928.57;
- e. New York Liquidation Bureau: \$1,568,532.39; and
- f. Pennsylvania Property & Casualty Insurance Guaranty Association: \$443,994.80.

6. The Liquidator shall distribute \$464,396.58 for 378 Non-Guaranty Association claims, in accordance with the allocations identified in the Certification of Michelina A. Lombardo at Exhibit Appendix 63-64, appended hereto.

7. The Liquidator has established, and this Court approves, the Liquidator's maintenance of a reserve account in the amount of \$20,500.00 for administrative and operating expenses necessary to complete the remainder of the liquidation proceeding for the Estate (the "*Reserve*"). Included in the Reserve are costs specific to applicable destruction fees for certain records, as required.

8. If any surplus Reserve remains or any assets are recovered by the Liquidator after the date of final distribution, if economical and practical, distributions shall be paid after deduction for any associated administrative expenses of the Liquidator, *pro rata*, to all allowed claimants that have not been satisfied. If the Liquidator determines that the distribution of such assets would be uneconomic or otherwise impractical, the Liquidator shall escheat such assets to the State of New Jersey Department of the Treasury, Unclaimed Property Administration (the “UPA”), after adjustment for any associated administrative expenses of the Estate.

9. Payment by the Liquidator to any claimant shall be complete upon the mailing of the funds to the claimant at the claimant’s last known address. If a payment is returned and, after reasonable inquiry, the whereabouts of the claimant remain unknown to the Liquidator, the Liquidator shall escheat the funds to the UPA. The Liquidator’s mailing of the funds to the UPA shall satisfy and release the Liquidator’s payment obligation to the claimant.

10. Personal property and non-essential records of the Estate within the Liquidator’s possession, custody and/or control that will not adversely affect any party’s rights can be immediately destroyed. N.J.S.A. 17:30C-9(a).

11. Records relating to the Liquidation may be destroyed, but no earlier than the expiration of one (1) year from the completion of the Liquidation and making of the final distribution. N.J.S.A. 17:3A-3a.

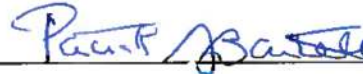
12. Upon completing the final distribution of funds in its entirety and filing of the final statement of accounting with the Court, the Liquidator and/or his representatives will have satisfied the conditions as set forth in this Order.

13. Upon compliance with this Order, and the filing with this Court of a final accounting, the Acting Commissioner of Banking and Insurance of the State of New Jersey, the Acting Commissioner of Banking and Insurance of the State of New Jersey as Liquidator of Security Indemnity Insurance Company, the Deputy Liquidator, and their agents, attorneys, employees, successors, assigns, and other representatives and agents are forever discharged, released and held harmless from any and all liability arising out of the liquidation of the Estate, and this Liquidation proceeding shall be terminated without need for any further order of Court.

14. Notice of this Order shall be published on the State of New Jersey Department of Banking and Insurance website for no less than one hundred twenty (120) days.

15. The Acting Commissioner of Banking and Insurance of the State of New Jersey and his successors may take any and all additional actions that he deems advisable for the administration and termination of the Estate, without need for further application to, or approval of the Court.

16. Plaintiff shall, within seven (7) days after receipt of this Order by his counsel, serve a copy of this Order upon all parties who received notice of the Motion by First-Class Mail.



Patrick J. Bartels, P.J. Ch.

☐ Opposed

☒ Unopposed

EXHIBIT “B”

SECURITY INDEMNITY INSURANCE COMPANY in LIQUIDATION
STATEMENT OF FINANCIAL CONDITION
AT DECEMBER 31, 2024
FINAL ACCOUNTING

Assets

Administrative Reserve	9,562.14
Early Access Advances to: Guaranty Associations and <i>non</i> Guaranty Association Claimants	33,801,202.46
Total Assets	<u>33,810,764.60</u>

Liabilities and Accumulated Deficit

PRIORITY ONE

EXPENSES OF ADMINISTRATION	
Claim Handling Expense Reported by Guaranty Associations	6,631,333.37
Estate Administration Accrued Expenses	9,562.14
TOTAL PRIORITY ONE	<u>6,640,895.51</u>

PRIORITY FOUR

CLAIMS OF POLICYHOLDERS AND GUARANTY ASSOCIATIONS	
Due to Guaranty Associations For:	
Losses and Loss Expenses Paid	37,867,475.26
Unearned Premiums Paid	268,372.35
Total Amount Paid By and Due to Guaranty Associations	<u>38,135,847.61</u>

Reserves:

Case Basis Loss Reserves & LAE Reserves (One NJ Case)	236,600.00
Allowed to Policyholders - Timely Filed (No Guaranty Association Coverage)	3,681.88
Allowed Subrogation - Timely Filed (No Guaranty Association Coverage)	975,692.74
Total Reserves	<u>1,215,974.62</u>
TOTAL PRIORITY FOUR	<u>39,351,822.23</u>

PRIORITY FIVE

ALL OTHER ALLOWED CLAIMS (Asset base does not support a distribution)	
Reinsurance Payable (including Case & IBNR)	4,875,180.52
Policyholder Claims - Untimely Filed (No Guaranty Association Coverage)	692,404.56
Subrogation Claims - Untimely Filed (No Guaranty Association Coverage)	140,213.40
Federal/State Assessments and Fees	363,461.91
Vendor/Creditor and Agent Commissions	19,114.01
TOTAL PRIORITY FIVE	<u>6,090,374.40</u>

Total Liabilities	52,083,092.14
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Deficit

Common Capital Stock	2,400,000.00
Paid in and Contributed Surplus	1,700,000.00
Unassigned Funds	(22,268,950.03)
Year To Date Net Income	(103,377.51)
Total Deficit	<u>(18,272,327.54)</u>

Total Liabilities and Accumulated Deficit	<u>33,810,764.60</u>
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DOCKET NO.: MER-C-62-03

ORDER

THIS MATTER having been opened to the Court by Stern & Eisenberg, PC, attorneys for Justin Zimmerman, Commissioner of Banking and Insurance of the State of New Jersey, in his capacity as Liquidator of Security Indemnity Insurance Company, upon notice to all parties requiring notice, for an Order approving the final accounting of the assets and liabilities of the estate of Security Indemnity Insurance Company (“*Security Indemnity*” or “*Estate*”), and the Court having considered the moving papers and any opposition papers thereto, if any, and for good cause shown:

IT IS on the _____ day of _____, 2025,

ORDERED as follows:

1. Plaintiff’s Motion is **GRANTED**.
2. The Security Indemnity Insurance Company in Liquidation Statement of Financial Condition at December 31, 2024 Final Accounting (the “*Final Accounting*”) submitted for filing is approved.

3. The Liquidator is authorized to use the Administrative Reserve of \$9,562.14, identified in the Final Accounting to pay any remaining administrative expenses of the Estate, including, without limitation, operating costs (including the records to be eliminated as described within the December 15, 2023 Order entered in this case), salary expenses, and ongoing legal expenses up through final discharge.

4. If there is any excess Administrative Reserve after payment of administrative expenses of the Estate, the Liquidator shall distribute that sum to Security Indemnity's allowed claimants on a *pro rata* basis. To ensure that the administrative costs associated with such distributions are minimized, while distributions to the allowed claimants within the same priority are maximized, the Liquidator may establish a *de minimis* level of recovery, such that if the Liquidator determines, in his sole discretion, that it is impractical or uneconomical to disburse any excess Administrative Reserve to any allowed claimant(s), then the Liquidator shall escheat those sums to the State of New Jersey Department of the Treasury, Unclaimed Property Administration.

5. After the date of this Order, if the Commissioner receives any assets that would have otherwise been attributed to the Estate, the Commissioner shall distribute such sums to Security Indemnity's allowed claimants on a *pro rata* basis. To ensure that the administrative costs associated with such distributions are minimized, while distributions to the allowed claimants within the same priority are maximized, the Commissioner may establish a *de minimis* level of recovery, such that if the Commissioner determines, in his sole discretion, that it is impractical or uneconomical to disburse any excess assets to any allowed claimant(s), then the Commissioner shall escheat those sums to the State of New Jersey Department of the Treasury, Unclaimed Property Administration.

6. The Estate shall conclude its business and close in accordance with this Order and the December 15, 2023 Order entered by this case.

7. The Liquidator shall distribute the Administrative Reserve in the quarter next following entry of this Order.

8. Once the Administrative Reserve is distributed, the Liquidator shall close any remaining Estate bank accounts.

9. The New Jersey Commissioner of Banking and Insurance, the New Jersey Commissioner of Banking and Insurance, as Liquidator of Security Indemnity Insurance Company, the Deputy Liquidator, and their agents, attorneys, employees, successors, assigns, and other representatives and agents are forever discharged, released and held harmless from any and all liability arising out of the confidential administrative supervision, rehabilitation and liquidation of Security Indemnity.

10. The Commissioner and his successors may take any and all additional actions that he deems advisable for the administration and closing of the Estate, without need for further application to the Court.

PATRICK J. BARTELS, P.J. Ch.

___ Opposed

___ Unopposed

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DOCKET NO.: MER-C-62-03

CERTIFICATION OF SERVICE

I certify that on January 28, 2025, I caused to be served a true copy of the Motion for Final Statement of Accounting, inclusive of a proposed Order and Certification in support thereof, by United States First-Class Mail Postage Prepaid on the following:

Justin Zimmerman, Commissioner
State of New Jersey
Department of Banking and Insurance
20 West State Street, 5th Floor
PO Box 325
Trenton, NJ 08625-0325

Jeffrey Posta, Deputy Attorney General
State of New Jersey, Division of Law
Banking and Insurance Section
25 Market Street, Hughes Justice Complex
2nd Floor, West Wing
PO Box 117
Trenton, NJ 08625

David Wolf, Acting Assistant
Commissioner
Office of Solvency Regulation
State of New Jersey
Department of Banking and Insurance
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PO Box 325
Trenton, NJ 08625-0325

Michelina A. Lombardo, Deputy Liquidator
Security Indemnity Insurance Company
in Liquidation
3 Wing Drive, Suite 260
Cedar Knolls, NJ 07927-1010

STERN & EISENBERG, PC

BY: /s/Evan Barenbaum
Evan Barenbaum, Esq.

