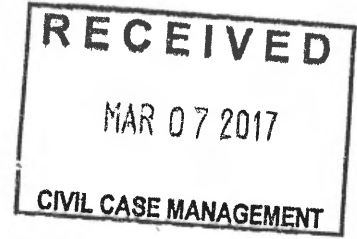


CHRISTOPHER S. PORRINO  
ATTORNEY GENERAL OF NEW JERSEY  
Richard J. Hughes Justice Complex  
25 Market Street  
P.O. Box 117  
Trenton, New Jersey 08625  
Attorney for Petitioner,  
Commissioner of the Department  
of Banking and Insurance



By: William B. Puskas, Jr.  
Deputy Attorney General  
(609) 292-7669  
William.Puskas@dol.lps.state.nj.us  
Attorney ID: 014901976

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

RICHARD J. BADOLATO, )  
COMMISSIONER OF THE )  
DEPARTMENT OF BANKING AND )  
INSURANCE OF NEW JERSEY, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
IFA INSURANCE COMPANY, )  
 )  
 )  
Defendant. )

Civil Action

CERTIFICATION OF STEVEN  
P. KERNER, JR.

STEVEN P. KERNER, JR., of full age, hereby certifies  
and says:

1. I am the Assistant Commissioner in the Office of  
Solvency Regulation for the New Jersey Department of Banking and  
Insurance ("the Department"). My responsibilities include

monitoring and overseeing the financial condition of all insurance entities transacting business in New Jersey. I make this certification in support of the Commissioner's application to place IFA Insurance Company ("IFA") into liquidation.

2. IFA is a New Jersey property and casualty insurer licensed to transact insurance business in New Jersey. IFA was incorporated on December 11, 1972, and authorized to transact private passenger automobile insurance business as of December 4, 1973. IFA is a wholly-owned subsidiary of Independent Financial Agents, Inc., which maintains its office at the same location as IFA.

3. IFA is also authorized to transact private passenger automobile insurance business in, Pennsylvania, Maryland and Delaware.

4. As of February 24, 2017, IFA had only 418 policies in force, all of which are in Maryland. IFA has no active policies in force in New Jersey, Pennsylvania, and Delaware.

5. The Department and IFA entered into a Memorandum of Understanding ("MOU") on September 4, 2014, based on concerns arising from the Department's financial examination of IFA. These concerns included IFA's failure to maintain adequate loss and loss adjustment expense reserves; IFA's financial condition; and IFA's ability to meet its policyholder obligations. The MOU

imposed several conditions upon IFA that were intended to alleviate the Department's concerns.

6. The Department and IFA subsequently entered into a Consent Order No. C15-101, dated July 10, 2015, under which the Department approved IFA's withdrawal from the New Jersey private passenger automobile insurance market. The Consent Order also provided that IFA cease writing new business in New Jersey, transfer certain business to another insurer, and non-renew any existing business not accepted by the insurer.

7. Despite these efforts and the continued oversight by Department staff, IFA's financial condition continued to worsen during 2015 and 2016. IFA failed to meet its benchmark requirements for several financial analysis ratios and suffered significant declines in net income and surplus.

8. Because of IFA's continued financial decline and the mutual desire of the Department and IFA to conduct an orderly run-off of IFA and its insurance business, on September 19, 2016, the Commissioner placed IFA under consensual and confidential administrative supervision pursuant to N.J.S.A. 17:51A-1 to -10. A true copy of the Confidential Consent Order of Administrative Supervision ("Administrative Supervision CO"), Consent Order No. C16-101, is attached as "Exhibit A".<sup>1</sup> The

---

<sup>1</sup> The Commissioner has determined that it is in the best interest of the public to make the administrative supervision order

Administrative Supervision CO imposed certain requirements on IFA, including increased financial reporting to and monitoring by the Department; maintaining an Risk-Based Capital ratio at or above 1.000 (also expressed as "100% RBC") for the run-off of its business; increased actuarial reserve analysis; and continuing to refrain from writing any new business. Additionally, in the Administrative Supervision CO, IFA consented to its placement into liquidation if it failed to maintain sufficient reserves and capital in IFA to keep its RBC at or above 1.000 during the run-off.

9. Despite the active administrative supervision and monitoring by the Department and as discussed more fully below, IFA reported to the Department in February 2017 that it was not going to be able to maintain sufficient reserves and capital in IFA to keep its RBC at or above 100% RBC, and that additional capital infusions to ensure a solvent run-off were highly unlikely. Furthermore, IFA advised that its cash position as of February 15, 2017, had deteriorated such that the company only had total cash on hand of \$323,985 and total potential cash receivables of \$254,830, for a total of \$578,815 in available assets.

---

public pursuant to N.J.S.A. 17:51A-4d, and IFA has consented to making public the MOU, the Administrative Supervision CO, and an Amended Consent Order of Administrative Supervision No. A17-106 in the Amended Consent Order, a true copy of which is attached hereto as "Exhibit C".

10. On February 21, 2017, the Department issued a letter to IFA finding by the Commissioner that it is in breach of the requirements of the Administrative Supervision CO, and that it is insolvent, in a hazardous financial condition, and that it is likely its RBC mandates the Commissioner to take regulatory control of the insurer pursuant to N.J.A.C. 11:2-39.7. Attached hereto as "Exhibit B" is a true and exact copy of this letter.

11. Also, the Commissioner entered into an Amended Consent Order of Administrative Supervision, Consent Order No. A17-106 ("Amended CO"), with IFA on March 3, 2017. Attached hereto as "Exhibit C" is a true and exact copy of this Amended CO. The Amended CO finds and IFA agrees that: a) IFA is in breach of the Administrative Supervision CO by not maintaining a Risk Based Capital (RBC) level of 1.000 ("100% RBC"); b) pursuant to N.J.A.C. 11:2-39.7, IFA's RBC places the company at or below a mandatory control level event, thus requiring the Commissioner to take actions necessary to cause the insurer to be placed under regulatory control pursuant to N.J.S.A. 17:30C-1 et seq.; and c) IFA is in a hazardous financial condition pursuant to multiple sections of N.J.A.C. 11:2-27.1 et seq. Moreover, IFA consented to its placement into liquidation.

12. Because of its cash position, the Amended CO also provides that IFA shall not make any expenditures of funds -

including claims payments - without the prior approval of the Department.

13. For all of these reasons and those that follow, the Commissioner finds that IFA's financial condition has deteriorated, such that any further transaction of business by IFA would be hazardous financially to its policyholders, creditors or the public. Based on this finding by the Commissioner, the Commissioner has determined that it is necessary to place IFA into liquidation.

**IFA IS INSOLVENT**

14. N.J.S.A. 17:30C-1 defines "insolvency" to mean that an insurer's assets are less than the total of its liabilities, required reserves and capital stock.

15. Based on financial information provided to the Department by IFA, as of February 15, 2017, IFA has estimated admitted assets of \$1,481,293; estimated liabilities and required reserves of \$3,555,934; and reported capital stock of \$2,494,035.

16. IFA's liabilities, required reserves, and capital stock exceed its assets by \$4,568,676. Accordingly, IFA is insolvent as defined by statute and the court should enter a declaration of insolvency.

**IFA IS IN A HAZARDOUS FINANCIAL CONDITION**

17. The provisions of N.J.A.C. 11:2-27, a subchapter entitled "DETERMINATION OF INSURERS IN A HAZARDOUS FINANCIAL CONDITION," provides a list of factors that the Commissioner shall consider in determining whether an insurer is in a hazardous financial condition.

18. N.J.A.C. 11:2-27.3(a) sets forth 34 factors that shall be considered "either singly or in a combination of two or more, in determining whether an insurer is in a hazardous financial condition."

19. A finding by the Commissioner that an insurer is in a hazardous financial condition constitutes grounds for liquidation under N.J.S.A. 17:30C-8 and N.J.S.A. 17:30C-6f.

20. N.J.A.C. 11:2-27.3(a)1 provides that the Commissioner may consider an adverse finding by the Commissioner reported in financial condition reports, audit reports, and actuarial opinions, reports or summaries to constitute a hazardous financial condition.

21. Based on financial condition reports submitted to the Department, IFA's capital and surplus as regards policyholders as of September 30, 2016, was \$661,764, but decreased to \$(2,074,641) as of February 15, 2017.

22. Based on these adverse findings by the Commissioner as to IFA's negative surplus, the Commissioner has

determined that IFA is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)1.

23. N.J.A.C. 11:2-27.3(a)4 provides that the Commissioner may determine an insurer to be in a hazardous financial condition upon a finding by the Commissioner that the insurer's asset portfolio "is not of sufficient value, liquidity, or diversity to assure the [insurer's] ability to meet its outstanding obligations as they mature"

24. Based on financial condition reports submitted to the Department, as of February 15, 2017, IFA had total cash on hand of \$323,985 and total potential cash receivables of \$254,830, for a total of \$578,815 in available assets. Underwriting expenses for February 2017 were expected to be \$386,032. The remaining cash is projected to be \$192,783. Based on IFA's history of under-reserving, it is estimated that IFA will be out of cash between the end of February 2017 and the end of March 2017. Accordingly, IFA's asset portfolio is inadequate to meet its outstanding obligations as they mature.

25. Based on these findings by the Commissioner regarding IFA's asset portfolio, the Commissioner has determined that IFA is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)4.

26. N.J.A.C. 11:2-27.3(a)7 permits the Commissioner to determine an insurer is in a hazardous financial condition upon



a finding by the Commissioner that the insurer's operating loss in the last twelve-month period or any shorter period of time, excluding net capital gains, is greater than 20 percent of such insurer's remaining surplus as regards policyholders in excess of the minimum required.

27. Based on financial condition reports submitted to the Department, as of September 30, 2016, IFA had negative net income of \$(1,957,036) for the first nine months of 2016 after reduction for realized capital gains of \$601,712. Thus, without the capital gains, IFA experienced a net operating loss of \$(2,558,748) through the third quarter of 2016. This net operating loss is (386.8)% of IFA's surplus as regards policyholders of \$661,764 as of September 30, 2016.

28. Thus, IFA's operating loss for the first nine months of 2016 is greater than 20 percent of its remaining surplus.

29. Based on these findings by the Commissioner regarding IFA's operating loss, excluding net capital gains, the Commissioner has determined that IFA is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)7.

30. N.J.A.C. 11:2-27.3(a)17 permits the Commissioner to determine that an insurer is in a hazardous financial condition upon a finding by the Commissioner that the insurer

has experienced or will experience in the foreseeable future cash flow or liquidity problems.

31. As discussed above, IFA's cash position has significantly deteriorated such that it is expected to run out of cash to pay claims in the very near future. In fact, IFA consented to, and the Commissioner is now approving, all expenditures as an interim measure to preserve assets pending placement into liquidation and assumption of claims by the applicable state guaranty funds.

32. Based on these findings by the Commissioner as to IFA's cash flow, the Commissioner has determined that IFA is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)17.

33. N.J.A.C. 11:2-27.3(a)20 permits the Commissioner to determine that an insurer is in a hazardous financial condition upon a finding by the Commissioner that the insurer does not possess the minimum capital and surplus required to be maintained by law.

34. Under N.J.S.A. 17:17-6, IFA is required to maintain a minimum capital of \$1,400,000 and a minimum surplus of \$1,200,000, for a total of \$2,600,000.

35. Based on financial condition reports submitted to the Department, as of September 30, 2016, IFA had capital of \$2,494,035 and surplus of \$(1,832,271), for a total of \$661,764.

Thus, IFA's capital and surplus is \$(1,938,236) less than the minimum required by law.

36. Based on these findings by the Commissioner as to IFA's failure to maintain the minimum capital and surplus, the Commissioner has determined that IFA is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)20.

37. One of the tools used by the Department in monitoring the solvency of insurers is analysis of an insurer's Risk-Based Capital ("RBC") pursuant to N.J.A.C. 11:2-39.1 to - 39.14. RBC analysis can result in various event level actions to be taken by an insurer or the Department with respect to solvency regulation.

38. Based on financial condition reports submitted to the Department, the Department has projected IFA's RBC ratio to be (730.257)%, as of February 15, 2017. This negative Risk-Based Capital ratio is a mandatory control level event pursuant to N.J.A.C. 11:2-39.7(a). Under N.J.A.C. 11:2-39.7(b)2, the Commissioner is required to take such actions as are necessary to place IFA under regulatory control pursuant to N.J.S.A. 17:30C-1 et seq.

**IFA HAS CONSENTED TO BE PLACED INTO LIQUIDATION**

39. One requirement of the September 19, 2016 Administrative Supervision CO referenced in Paragraph 8 above was the requirement that "IFA shall maintain a level of not less

than 1.000 ("100%") at all times on or subsequent to [September 19, 2016]. Any downward breach of this required level of RBC shall constitute immediate grounds to initiate Liquidation proceedings ... and IFA hereby consents to placement of the company into liquidation upon such a breach." (Exhibit A, p. 3, ¶2 - emphasis added.)

40. As discussed in Paragraph 38 above, IFA has a RBC ratio of (730.257)%, as of February 15, 2017. This ratio is less than the 1.000 ("100%") RBC ratio which IFA agreed to maintain under the September 19, 2016 consensual administrative supervision order. By failing to maintain a RBC ratio of at least 1.000 ("100%") and through its entry into the Amended CO, IFA has consented to being placed into liquidation. See Exhibits B and C hereto.

41. Additionally, the Boards of Directors of IFA and its ultimate parent holding company, Independent Financial Agents, Inc., have consented to IFA's liquidation by resolution. Attached hereto as "Exhibits D and E" are true and exact copies of these resolutions.

#### **THE NEED TO PLACE IFA INTO LIQUIDATION**

42. For the above reasons, the Commissioner has determined that it is necessary and appropriate to place IFA into liquidation pursuant to N.J.S.A. 17:30C-1 et seq. in order to protect its policyholders, creditors and the public at large.

43. Accordingly, the Commissioner has determined that IFA must be placed into liquidation as soon as possible in order to limit the duration of any claims payment interruptions due to IFA's significantly deteriorated cash position, and that its corporate existence be dissolved pursuant to N.J.S.A. 17:30C-9b(1).

I 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.



STEVEN P. KERNER, JR.  
Assistant Commissioner  
Office of Solvency Regulation

Dated: March 7, 2017

# Exhibit A

CONFIDENTIAL  
CONSENT ORDER OF  
ADMINISTRATIVE  
SUPERVISION

C-16-01

SEPTEMBER 16, 2016

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE )  
ADMINISTRATIVE SUPERVISION )  
OF IFA INSURANCE COMPANY )

CONFIDENTIAL  
CONSENT ORDER  
OF ADMINISTRATIVE SUPERVISION

This matter is opened by the Commissioner (“Commissioner”) of Banking and Insurance of the New Jersey Department of Banking and Insurance (“Department”) pursuant to the authority contained in N.J.S.A. 17:17-5, 17:23-23-1 et seq., 17:46B-1 et seq., and 17:51A-1 et seq., and all powers expressed or implied therein.

IT APPEARING that IFA Insurance Company (“IFA” or the “Company”), is a New Jersey domiciled insurer licensed to transact property and casualty insurance since October 30, 1972; and

IT FURTHER APPEARING that N.J.S.A. 17:51A-1 et seq., the Administrative Supervision Act (the “Act”) sets forth the authority of the Commissioner to subject all domestic insurers to administrative supervision; and

IT FURTHER APPEARING that the Act governing administrative supervision applies to IFA since the Company is a New Jersey-domiciled domestic insurer authorized to transact the business of property and casualty insurance in New Jersey pursuant to Title 17 of the Revised Statutes; and

IT FURTHER APPEARING that IFA entered into a Memorandum of Understanding (“MOU”) with the Department on September 4, 2014, setting forth various conditions and terms IFA was required to meet or otherwise be subject to administrative supervision; and

IT FURTHER APPEARING that IFA is also subject to the terms of a Consent Order No. C15-101 under which the Department approved its withdrawal from the New Jersey market and the transfer of certain business to Palisades Safety and Insurance Association and Palisades Insurance Company (“Palisades”), and required, among other things, that IFA cease writing new business and provided for the nonrenewal of any existing New Jersey business that was not accepted by Palisades; and

IT FURTHER APPEARING that IFA is in breach of the terms of the MOU and otherwise in a financial condition that is hazardous to its policyholders, creditors and/or the public, some of those breaches and conditions being:

- (i) As of December 31, 2015, IFA reflected an RBC ratio of 0.771;
- (ii) As of December 31, 2015, IFA’s surplus of \$2.9 million had decreased \$826,000, or 22.1% from previous year end; IFA’s surplus decreased another \$921,000 to \$2.0 million at the end of the first quarter of 2016 due to a decline in its Net Income -\$906,000, a change in its Net Unrealized Capital (Losses) of -\$18,000, offset by a change in non-admitted assets of \$3,000.
- (iii) IFA’s 2015 IRIS ratios reflected unusual and unacceptable values for 8 of 13 ratios, including 2 reserve-related ratios;
- (iv) IFA’s 2015 Leverage Ratios Reserves/Surplus and NPW/Surplus realized values are in excess of their respective benchmarks and this is a Material Adverse Finding;
- (v) IFA’s first quarter 2016 Reserves/Surplus ratio exceeded its respective benchmark and is a Material Adverse Finding;
- (vi) IFA’s RBC ratio at May 31, 2016, was 0.399 and at June 30, 2016, was 0.509, both below Mandatory Control Level RBC which required a capital infusion.



IT FURTHER APPEARING that the Department and IFA wish to facilitate an orderly run-off of IFA and its business; and

IT FURTHER APPEARING that pursuant to N.J.S.A. 17:51A-3a(5), an insurer may be subject to administrative supervision by the Commissioner if the insurer consents to being placed under administrative supervision; and

IT FURTHER APPEARING that, for the reasons set forth above, IFA consents to be placed under the confidential Administrative Supervision of the Commissioner; and

IT FURTHER APPEARING that, for the reasons set forth above, the Commissioner is, pursuant to N.J.S.A. 17:51A-1 et seq., placing IFA under administrative supervision; and

IT FURTHER APPEARING that the Act sets forth the authority of the Commissioner regarding domestic insurers to provide appropriate regulatory oversight consistent with his responsibilities as regulator in order to protect the interests of IFA, its policyholders, beneficiaries, creditors and/or the public; and

IT FURTHER APPEARING that it is appropriate and consistent with the Act to set forth in additional detail the framework for the regulatory oversight of IFA by the Department;

NOW THEREFORE, upon the consent of the parties,

It is on this 19<sup>th</sup> day of September, 2016,

ORDERED AND AGREED as follows:

1. Effective this date, IFA shall be placed under Administrative Supervision pursuant to N.J.S.A. 17:51A-5, in order to facilitate the orderly run-off of IFA and its business.
2. IFA shall maintain a RBC level of not less than 1.000 at all times on or subsequent to the date of this Consent Order. Any downward breach of this required level of RBC shall constitute immediate grounds to initiate Liquidation proceedings pursuant to N.J.S.A. 17:30C-1 et seq., and IFA hereby consents to placement of the company into

liquidation upon such a breach. The Commissioner, without waiving any rights to commence Liquidation proceedings, may in his sole discretion permit IFA a reasonable period of time, the length of which shall also be in the Commissioner's sole discretion, in which IFA may seek to remedy its RBC level so as to come into compliance with this Consent Order.

3. IFA shall have semi-annual reserve analyses performed by its opining actuary as indicated in the MOU.
4. IFA shall continue to refrain from writing any new business.
5. Pursuant to N.J.S.A. 17:51A-5, the Commissioner shall serve as the Administrative Supervisor of IFA, until such time as he determines to appoint an Administrative Supervisor to facilitate the orderly run-off of the Company. If an Administrative Supervisor is appointed by the Commissioner for IFA, such appointed Administrative Supervisor shall be compensated by IFA, as determined and approved by the Commissioner. Any such appointed Supervisor shall, among other things, perform audits of the Company's respective operations, ensure compliance with the terms of this Consent Order and perform such other acts as the Commissioner deems necessary to protect the interests of IFA, its policyholders, beneficiaries, creditors and/or the public. The appointment of an Administrative Supervisor shall not preclude the Commissioner from performing examinations in accordance with the provisions of N.J.S.A. 17:23-20 et seq. and N.J.S.A. 17:27A-5.
6. Effective immediately, all payments by IFA, including, but not limited to, checks and wire transfers, shall be reviewed and approved by an officer of IFA.
7. IFA shall be exempt from assessments by the New Jersey Property Liability Insurance Guaranty Association pursuant to N.J.S.A. 17:30A-8.

8. Pursuant to the Commissioner's powers in N.J.S.A. 17:51A-5(n) and N.J.A.C. 11:2-27.4 (a)(13), IFA shall also be exempt from paying the following assessments:
- (a) Automobile Insurance Plan Service Office Assessment;
  - (b) Unsatisfied Claim and Judgment Fund Assessment;
  - (c) New Jersey Fraud Assessment;
  - (d) New Jersey Expense Motor Vehicle Assessment;
  - (e) New Jersey Special Purpose Assessment (also known as the Overhead Assessment);
  - (f) New Jersey Personal Automobile Insurance Plan Assessment
9. Senior management of IFA shall continue to update the Commissioner or his representatives monthly, or as frequently as subsequently directed by the Commissioner or his representatives (e.g., weekly, bi-weekly, quarterly), with a report containing all available information concerning the run-off of the existing business of IFA, including, but not limited to:
- a. Monthly statutory Balance Sheet, Income Statement and Cash Flow Statement submitted on or before the 20<sup>th</sup> day after the end of the month;
  - b. Monthly RBC Report on or before the 20<sup>th</sup> day of the month after the end of the month;
  - c. Monthly claim and reserve reports by the end of the subsequent month, in a form to be determined by the Commissioner or his representatives;
  - d. Monthly reports with a detail of administrative expenses, including, but not limited to staffing, salaries, benefits, taxes, operational costs, vendor costs, legal costs, rental costs, supplies and the like;

- e. Monthly reinsurance reports with recoverable information, e.g., pending and/or claims to be made; and
  - f. Quarterly reports of remaining policyholders by state reflecting dates of non-renewal.
10. IFA shall provide, for review and prior approval by the Department, a listing of any contemplated payments in excess of \$5,000 at least one week prior to disbursement, with the exception of payroll payments, which may be paid on four (4) days prior notice to the Department.
  11. All documents and records in the possession of IFA, its agents and/or representatives shall not be moved, removed, transferred modified, amended, disposed of or altered without the approval of the Commissioner, except that documents and records may continue to be sent to archives and/or may be modified in a manner consistent with IFA's usual and customary business practices.
  12. IFA shall provide to the Commissioner or his representatives access, on demand and without advance notice, to any and all materials, records, documents or information of the Company and shall fully and completely cooperate with all requests of the Commissioner or his representatives for such materials, records or documents or information, including meeting any reasonable timeframes established by the Commissioner or his representatives for the provision of any requested materials, records, documents or information. For the purposes of this Consent Order, materials, records, documents or information shall include, but not be limited to, those recorded or stored in paper or electronic form, wherever they may be located.
  13. IFA shall, within 10 days from the date of this Order, provide the Commissioner or his representatives with the location and description of, and access to, all assets of any kind

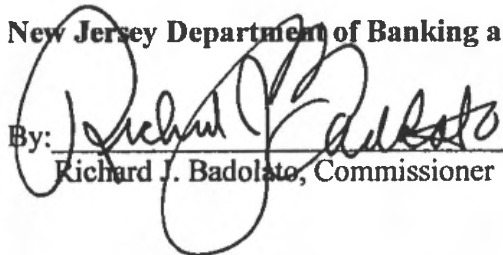
held by, or on behalf of, IFA. For purposes of this Order, assets shall include those items owned or leased.

14. In accordance with its provisions, IFA shall not, without prior approval of the Commissioner or his representatives, take any action specified in N.J.S.A. 17:51A-5.
15. Upon the signing of this Order by all parties, IFA shall provide a copy of this Consent Order to all directors and officers of the Company within 24 hours of its receipt of the fully executed Consent Order.
16. IFA shall immediately comply with all terms of this Consent Order unless otherwise directed.
17. Pursuant to N.J.S.A. 17:51A-4d, the Commissioner deems that it is in the best interest of the public, the Company, its insureds and creditors that this Order shall be confidential.
18. If any provision of this Consent Order or the application thereof is for any reasons held to be invalid, the remainder of this Consent Order and the application thereof to other persons or circumstances shall not be affected thereby.
19. The Commissioner may modify this Consent Order, from time to time, upon written notification to IFA, to address matters necessary for the benefit of IFA, its policyholders, beneficiaries, creditors and/or the public. Nothing in this Consent Order shall prevent the Commissioner from taking any action deemed necessary by the Commissioner with respect to IFA pursuant to this Consent Order, or with respect to any affiliate of IFA as to matters over which the Commissioner has regulatory jurisdiction. IFA consent to this Consent Order shall not be construed as its advanced consent to any modifications of this Consent Order made by the Commissioner pursuant to this paragraph.
20. The Commissioner reserves the right to, at any time subsequent to the date of this Consent Order, issue additional orders and/or make applications for additional and

different relief related to this Consent Order or the Company if the Commissioner determines that any such order or relief is necessary in accordance with Title 17 of the Revised Statutes, including, but not limited to, the imposition of fines for failing to comply with the terms of any subpoena issued by the Department.

21. This Consent Order of Administrative Supervision may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Consent Order. The individuals signing the Consent Order of Supervision on the respective behalf of IFA warrants and represents that he/she has the authority to bind that entity to this Order by their signature.

**New Jersey Department of Banking and Insurance**

By:   
Richard J. Badolato, Commissioner

Date: 9/19/16

Consented to by the parties as to form and entry.

**IFA Insurance Company**

By: 

Date: 9/7/16

DAVID WALSH, PRESIDENT  
(Print clearly or type name and title)

# Exhibit B

LETTER TO  
IFA INSURANCE COMPANY

FEBRUARY 21, 2017



## State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE  
DIVISION OF INSURANCE  
PO Box 325  
TRENTON, NJ 08625-0325

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

RICHARD J. BADOLATO  
*Commissioner*

PETER L. HARTT  
*Director*

TEL (609) 292-0844  
FAX (609) 292-3144

CONFIDENTIAL & PROPRIETARY

February 21, 2017

Via E-Mail & Regular Mail

David Walsh  
President  
IFA Insurance Company  
14 Walnut Avenue  
Clark, NJ 07066

Re: IFA Financial Condition

Dear Mr. Walsh:

Pursuant to our conversation this afternoon, the Commissioner hereby finds IFA in breach of the requirements of Confidential Consent Order of Administrative Supervision No. C16-101, dated September 19, 2016 ("Consent Order"). In that Consent Order, IFA agreed to maintain a Risk Based Capital ("RBC") level of not less than 1.000 at all times to facilitate the orderly run-off of its business. Based upon the most recent financial information, as of February 15, 2017, provided by IFA to the Department, IFA's RBC has fallen significantly below 1.000, and has breached the level of RBC as required by the aforementioned Consent Order. In light of this, the Commissioner will petition the Superior Court in the near future for the placement of IFA into liquidation because it is deemed to be insolvent, is in a hazardous financial condition, and it is likely that regulatory control of the company is mandated under law.

The Consent Order provides that the Commissioner may in his sole discretion permit IFA time to cure the breach. As discussed, the Commissioner declines to exercise his discretion and will not allow any cure period because there appears to be no reasonable prospect of a viable capital infusion to permanently remediate IFA's insolvency. Furthermore, under Paragraph 2 of the Consent Order, please be reminded that IFA has consented to the placement of the company into liquidation upon such a breach of the RBC requirement – whether or not a discretionary cure period has been provided.

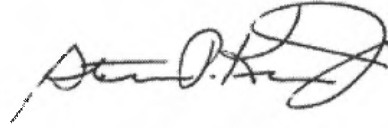
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We will keep you apprised as we prepare to file the Petition for Liquidation, and we thank you for your cooperation during this difficult time.

Very truly yours,

A handwritten signature in black ink, appearing to read "Steven P. Kerner, Jr.", written in a cursive style.

Steven P. Kerner, Jr.  
Assistant Commissioner

- c: Peter L. Hartt, Director of Insurance  
Kristine A. Maurer, Assistant Director of Insurance  
Richard D. Schlesinger, Chief Insurance Examiner  
John Sirovetz, Assistant Chief Insurance Examiner  
Christopher Brennan, Legal Specialist

# Exhibit C

AMENDED  
CONSENT ORDER OF  
ADMINISTRATIVE  
SUPERVISION

A-17-106

MARCH 3, 2017

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE )  
ADMINISTRATIVE SUPERVISION ) AMENDED CONSENT ORDER  
OF IFA INSURANCE COMPANY ) OF ADMINISTRATIVE SUPERVISION

This matter is opened by the Commissioner (“Commissioner”) of Banking and Insurance of the New Jersey Department of Banking and Insurance (“Department”) pursuant to the authority contained in N.J.S.A. 17:17-5, 17:23-23-1 et seq., 17:46B-1 et seq., and 17:51A-1 et seq., and all powers expressed or implied therein.

IT APPEARING that IFA Insurance Company (“IFA” or the “Company”), is a New Jersey domiciled insurer that commenced property and casualty insurance business on December 4, 1973; and

IT FURTHER APPEARING that N.J.S.A. 17:51A-1 et seq., the Administrative Supervision Act (the “Act”) sets forth the authority of the Commissioner to subject all domestic insurers to administrative supervision; and

IT FURTHER APPEARING that the Act governing administrative supervision applies to IFA since the Company is a New Jersey-domiciled domestic insurer authorized to transact the business of property and casualty insurance in New Jersey pursuant to Title 17 of the Revised Statutes; and

IT FURTHER APPEARING that IFA entered into a Memorandum of Understanding (“MOU”) with the Department on September 4, 2014, setting forth various conditions and terms IFA was required to meet or otherwise be subject to administrative supervision; and

IT FURTHER APPEARING that IFA is also subject to the terms of a Consent Order No. C15-101 under which the Department approved its withdrawal from the New Jersey market and

the transfer of certain business to Palisades Safety and Insurance Association and Palisades Insurance Company (“Palisades”), and required, among other things, that IFA cease writing new business and provided for the nonrenewal of any existing New Jersey business that was not accepted by Palisades; and

IT FURTHER APPEARING that IFA is presently subject to Confidential Consent Order of Administrative Supervision, No. C16-101, and is in breach of the terms thereof, specifically by not maintaining a Risk Based Capital (RBC) level of 1.000; and

IT FURTHER APPEARING that, pursuant to N.J.A.C. 11:2-39.7, IFA’s RBC places the company at or below a mandatory control level event, thus requiring the Commissioner to take actions necessary to cause the insurer to be placed under regulatory control pursuant to N.J.S.A. 17:30C-1 et seq.; and

IT FURTHER APPEARING that IFA is in a hazardous financial condition pursuant to multiple sections of N.J.A.C. 11:2-27.1 et seq.; and

IT FURTHER APPEARING that, despite any actions to implement formal regulatory control pursuant to N.J.S.A. 17:30C-1 et seq., the Commissioner is hereby entering into this Amended Consent Order to provide appropriate regulatory oversight consistent with his responsibilities as regulator in order to protect the interests of IFA, its policyholders, beneficiaries, creditors and/or the public; and

IT FURTHER APPEARING that it is appropriate and consistent with the Act to set forth in additional detail the framework for the regulatory oversight of IFA by the Department;

NOW THEREFORE, upon the consent of the parties,

It is on this 3<sup>rd</sup> day of March, 2017, ORDERED AND AGREED as follows:

1. IFA has breached the terms IFA Consent Order C16-101, and hereby consents to the placement of IFA into liquidation; and
2. Effective this date, IFA Consent Order C16-101 is amended as follows:

(a) Paragraph 10 of Consent Order C16-101 is amended such that IFA shall make no disbursements of any nature and kind whatsoever without prior approval of the Department; and

(b) IFA shall take no action that would have the effect of any diminution of any assets of IFA; and

(c) IFA shall not enter into any commutation agreements with respect to any reinsurance without prior approval of the Department.

3. All other terms of Consent Order C16-101 shall remain in effect;

4. Upon the signing of this Order by all parties, IFA shall provide a copy of this Amended Consent Order to all directors and officers of the Company within 24 hours of its receipt of the fully executed Amended Consent Order.

5. IFA shall immediately comply with all terms of this Amended Consent Order unless otherwise directed.

6. Pursuant to N.J.S.A. 17:51A-4d, the Commissioner deems that it is in the best interest of the public, the Company, its insureds and creditors that this Amended Consent Order and all prior versions thereof, and a Memoranda of Understanding as deemed appropriate by the Commissioner, shall on or after the date of this Amended Consent Order be public and available for use as a basis of any formal regulatory action pursuant to N.J.S.A. 17:30C-1 et seq.

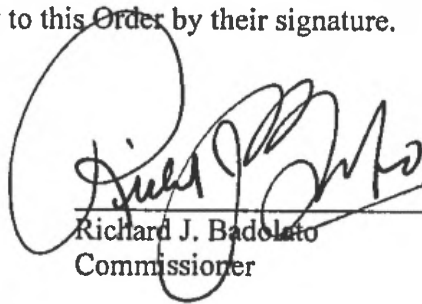
7. If any provision of this Amended Consent Order or the application thereof is for any reasons held to be invalid, the remainder of this Amended Consent Order and the application thereof to other persons or circumstances shall not be affected thereby.

8. The Commissioner may modify this Amended Consent Order, from time to time, upon written notification to IFA, to address matters necessary for the benefit of IFA, its policyholders, beneficiaries, creditors and/or the public. Nothing in this Amended Consent Order shall prevent the Commissioner from taking any action deemed necessary by the

Commissioner with respect to IFA pursuant to this Amended Consent Order, or with respect to any affiliate of IFA as to matters over which the Commissioner has regulatory jurisdiction. IFA consent to this Amended Consent Order shall not be construed as its advanced consent to any modifications of this Amended Consent Order made by the Commissioner pursuant to this paragraph.

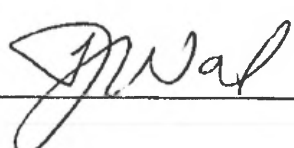
9. The Commissioner reserves the right to, at any time subsequent to the date of this Amended Consent Order, issue additional orders and/or make applications for additional and different relief related to this Amended Consent Order or the Company if the Commissioner determines that any such order or relief is necessary in accordance with Title 17 of the Revised Statutes, including, but not limited to, the imposition of fines for failing to comply with the terms of any subpoena issued by the Department.

10. This Amended Consent Order of Administrative Supervision may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Amended Consent Order. The individuals signing the Amended Consent Order of Supervision on the respective behalf of IFA warrants and represents that he/she has the authority to bind that entity to this Order by their signature.

  
Richard J. Badolato  
Commissioner

**Consented as to form, content and entry:**

**IFA Insurance Company**

By: 

Date: 2/28/17

DAVID WALSH  
(Print clearly or type name and title)

# Exhibit D

IFA INSURANCE COMPANY  
BOARD OF DIRECTORS  
RESOLUTION  
CONSENTING TO LIQUIDATION

FEBRUARY 28, 2017

Meeting of the Board of Directors

The meeting of the Board of Directors of IFA Insurance Company was held via phone conference at 14 Walnut Avenue, Clark New Jersey on Tuesday, February 28, 2017 at 10:30AM.

The Directors were present in the conference call, namely David Walsh, Marylou Iannone, and Michael Ford.

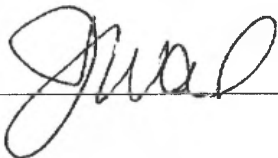
The purpose of the meeting was for the Board and Audit Committee review the following:

- Review financial information presented from David Walsh, President, and discuss the recommendation to consent to the liquidation of IFA Insurance Company.

The Board and Audit Committee reviewed and discussed the above recommendation.

Resolved, it was unanimously agreed that the Board of Directors approve to consent to the liquidation of IFA Insurance Company.

A motion to adjourn was unanimously approved.

  
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# Exhibit E

INDEPENDENT FINANCIAL  
AGENTS, INC.  
BOARD OF DIRECTORS  
RESOLUTION  
CONSENTING TO LIQUIDATION

FEBRUARY 28, 2017

Meeting of the Board of Directors

The meeting of the Board of Directors of Independent Financial Agents, Inc. was held via phone conference at 14 Walnut Avenue, Clark New Jersey on Tuesday, February 28, 2017 at 10:30AM.

The Directors were present in the conference call, namely David Walsh, Marylou Iannone, and Michael Ford.

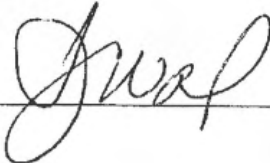
The purpose of the meeting was for the Board and Audit Committee review the following:

- Review financial information presented from David Walsh, President, and discuss the recommendation to consent to the liquidation of IFA Insurance Company.

The Board and Audit Committee reviewed and discussed the above recommendation.

Resolved, it was unanimously agreed that the Board of Directors approve to consent to the liquidation of IFA Insurance Company.

A motion to adjourn was unanimously approved.

  
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