

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Plaintiff,  
Commissioner of Banking and Insurance  
22 South Clinton Avenue  
4 Station Plaza -- 2<sup>nd</sup> Floor  
P.O. Box 117  
Trenton, New Jersey 08625

By: Eleanor Heck  
Deputy Attorney General  
(609) 292-7669

SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION-MERCER COUNTY  
DOCKET NO. MER-C-17-09

I/M/O REHABILITATION OF  
CONSUMER FIRST INSURANCE  
COMPANY.

---

)  
)  
)  
)

Civil Action  
**SECOND CERTIFICATION  
OF RAYMOND K. CONOVER**

RAYMOND K. CONOVER, 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 to explain the business of Consumer First Insurance Company ("Consumer First"), and the financial reasons that support the Department's request that this court issue An Order of Liquidation.

2. Consumer First is a New Jersey domiciled property/casualty insurer licensed to transact insurance business

in New Jersey since January 2, 2002. Consumer First writes only private passenger automobile insurance coverage, and only in New Jersey. Consumer First's book of business is comprised of policies written through producers.

3. On February 11, 2009, the Commissioner requested that the court issue an Order to Show Cause with Temporary Restraints and schedule a hearing to determine whether this court should enter an Order of Rehabilitation against Consumer First. In support of his request a verified complaint, letter brief, certification of Raymond K. Conover, and proposed form of Order of Rehabilitation were submitted. A copy of the those documents can be found at <http://www.state.nj.us/dobi/finesolv.htm>.

4. In my certification in support of the Commissioner's application of February 11, 2009, I provided statistics to support the Commissioner's contention that Consumer First's financial condition had been and continued to be in a state of deterioration. Certification of Raymond K. Conover, ¶ 7.

5. On February 24, 2009, this court issued an Amended Order to Show Cause that imposed temporary restraints on Consumer First and scheduled a hearing for April 22, 2009, to determine whether this court should issue an Order of Rehabilitation, as requested by the Commissioner.

6. This court issued an Order of Rehabilitation on April 22, 2009.

7. The deterioration of Consumer First's financial condition has accelerated dramatically since this court signed the Rehabilitation Order, as demonstrated by the numbers contained in the annual statement that Consumer First filed with the Department on May 11, 2009, as follows:

- a. Consumer First reported negative capital and surplus of \$2,885,572 as of December 31, 2008. This is an alarming decrease of \$5,074,481 from the capital and surplus of \$2,188,909 that Consumer First reported as of November 30, 2008.
- b. Consumer First reported a Net Operating Loss of \$5,645,696 for the twelve-month period ending December 31, 2008.
- c. Consumer First's liquidity ratio as of December 31, 2008, was 786.6 percent, more than double its 340.8 percent liquidity ratio as of September 30, 2008. The liquidity ratio measures the extent to which the company can quickly liquidate assets to meet pending obligations. The Department determines the liquidity ratio by examining an insurer's total liabilities, less deferred premiums, and dividing that amount by the insurer's liquid assets. A liquidity ratio of 787 percent means that the insurer's liabilities are nearly eight times as

much as its available liquid assets, and the company may not have enough cash on hand to pay liabilities as they come due. A liquidity ratio of 105 percent or greater is the benchmark promulgated by the National Association of Insurance Commissioners as an indicator of possible concern, and the Department, as well as the insurance regulators of most other States, follow that benchmark. At 787 percent, Consumer First is in danger of running out of cash. Consumer First's liquidity ratio has exceeded this 105 percent benchmark since June 30, 2006. See N.J.A.C. 11:2-27.3(a)2 and -27.3(a)15.

8. To preserve Consumer First's assets to the greatest extent possible, it is therefore requested that this court issue the proposed Order of Liquidation.

9. It is essential that Consumer First's main assets be preserved against waste during the interim period between the filing of the application for liquidation and the entry of the liquidation order.

10. Accordingly, the Commissioner has determined that Consumer First must be placed in liquidation.

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.

  
\_\_\_\_\_  
Raymond K. Conover  
Assistant Commissioner

Dated: May 14, 2009