

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEBRASKA

In re)
) Case No. _____
The petition of Theo Bullmore and Simon)
Whicker as Joint Provisional Liquidators for)
NATIONAL WARRANTY INSURANCE)
RISK RETENTION GROUP, d/b/a National)
Warranty Insurance Company and National) In an Ancillary Case
Warranty Insurance Group,) Under Section 304
) of the Bankruptcy Code
)
Debtor in Foreign Proceedings.)

**PETITION PURSUANT TO SECTION 304 OF
THE BANKRUPTCY CODE TO COMMENCE A CASE
ANCILLARY TO FOREIGN PROCEEDINGS**

Theo Bullmore and Simon Whicker (the “Petitioners”), appointed by the Grand Court of the Cayman Islands (the “Cayman Islands Court”) as Provisional Liquidators of National Warranty Insurance Risk Retention Group, d/b/a National Warranty Insurance Company and National Warranty Insurance Group (the “Company”), file this petition (the “Petition”) pursuant to 11 U.S.C. § 304. In support of their Petition, the Petitioners allege as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157 (b)(2)(A).
2. Venue is properly located in this District pursuant to 28 U.S.C. § 1410.

BACKGROUND

3. The Company was incorporated under the name Auto Warranty Insurance Group on December 19, 1984, as an exempted company under the Companies Law of the Cayman Islands (“Companies Law”). The Company changed its name to National Warranty Insurance

Company on January 16, 1986, and again changed its name to National Warranty Insurance Risk Retention Group on May 17, 1987. The registered office of the Company is at Crusader International Management (Cayman) Limited Building, Phase III, Elizabethan Square, George Town, Grand Cayman, Cayman Islands. The Company's principal place of business is at 5201 "R" Street, Lincoln, Nebraska 68504.

4. The Company's corporate books and records are located in Lincoln, Nebraska.

5. The Company is a subsidiary of the Pro Distributors Inc., which owns approximately 99% of the outstanding stock. The Company operates principally out of Lincoln, Nebraska, and conducts business throughout the United States.

6. The principal activity of the Company consists of operation as a risk retention group, formed under the United States Product Liability Risk Retention Act of 1981.

7. The Company writes insurance policies that cover the obligations of vehicle distributors and manufacturers ("Service Providers") that issue vehicle warranty and service contracts to vehicle owners. All of the Service Providers are members of the risk retention group.

8. The Company is a party to various accounts that have been established to fund claims made against the contracts and vehicle warranties.

9. The Company also insures National Road Service contracts.

10. The contracts written by the Company for its group members cover:

(i) Mechanical breakdown warranty costs on new and used cars and motorcycles;

(ii) Auto rust, paint, and interior warranty costs incurred by auto dealerships as a result of product failures on new and used automobiles and trucks;

- (iii) Warranty costs incurred by dealers associated with anti-theft devices, glass-etching, and auto-theft alarms;
- (iv) Tire hazard warranty costs incurred by tire dealers as a result of tire failures due to road hazards; and
- (v) Van conversion component warranty costs on new vehicles.

11. On June 4, 2003, a petition seeking the winding up of the Company (the “Winding Up Petition”) was presented by the Company in the Cayman Islands Court pursuant to the Companies Law (2003 Revision). A true and correct copy of the Winding Up Petition is attached hereto as Exhibit A.

12. The Company alleged in the Winding Up Petition that the Company’s solvency concerns stemmed from a dispute with one of its group members, SC&E Administrative Services, a part of the Delta Group. As a result, of that dispute, the AM Best Insurance rating service lowered the Company’s rating from B++ to B and major lending institutions refused to finance service contracts to which the Company was a party. The Company had also received complaints and threats of litigation from contract holders, repair shops, automotive dealers, selling agents, and regulatory agencies, including threats to freeze or segregate assets of the Company. (Ex. A ¶¶ 10-12.)

13. Following the filing of the Winding Up Petition, AM Best Insurance rating service further lowered the Company’s rating from B to C-minus.

14. In connection with the proceedings commenced by the presentation of the Winding Up Petition, on June 6, 2003, the Cayman Islands Court appointed the Petitioners as Joint Provisional Liquidators of the Company. A true and correct copy of the June 6, 2003 Order so appointing the Petitioners is attached hereto as Exhibit B.

15. Immediately following the appointment of the Petitioners as Joint Provisional Liquidators, serious concerns arose about the solvency position of the Company irrespective of whether the specific commercial issues identified by the Company could be satisfactorily resolved. Therefore on June 9, 2003, the Petitioners took steps to cease paying any claims presented to the Company, to cease giving authorizations for any further work to be undertaken under the warranties for which the Company might have liability, and to advise all group members and their associates to immediately suspend writing any new contracts.

16. The Petitioners reported their findings to the Cayman Islands Court on June 12, 2003.

17. On June 13, 2003, the Cayman Islands Court entered an Order further defining the functions and powers of the Petitioners. A copy of the June 13, 2003 Order is attached hereto as Exhibit C.

18. Litigation already has been commenced against the Company in other jurisdictions. The Petitioners believe that additional claims, actions, arbitrations or other proceedings may be commenced or become known to the Petitioners, and parties to trust or escrow agreements or similar arrangements in which the Company has an interest, may be identified by the Petitioners in the future (each a "Subsequent Claim").

BASIS FOR INJUNCTIVE RELIEF

19. The ultimate goal of the Petitioners is to preserve and secure the assets of the Company pending the hearing on the Winding Up Petition by the Cayman Islands Court in order to insure that, if a Winding Up Order is made, there is an orderly winding up of the Company's business and a distribution to all parties-in-interest in accordance with the Companies Law under the auspices of the Cayman Islands Court and with the aid of this Court.

20. The Petitioners require injunctive relief to protect against acts that would impede the Petitioners' efforts to resolve the Company's financial problems in a manner consistent with the best interest of creditors.

21. Section 304 of the Bankruptcy Code was specifically designed to assist foreign representatives such as the Petitioners in the performance of their duties. It provides that the Bankruptcy Court, upon the filing of a petition by a foreign representative, may enjoin the commencement or continuation of any action against a debtor in a foreign proceeding or its property, may order the turnover of the foreign debtor's property to a foreign representative, and may grant other relief to the foreign representative.

22. Other bankruptcy courts in the United States have traditionally recognized and respected the bankruptcy laws of the Cayman Islands and, pursuant to section 304 and consistent with the concept of international comity, have granted the relief similar to that requested herein to assist in the expeditious and economical administration of the estates of other Cayman Islands debtors.

23. In this case, all of the conditions for the relief sought pursuant to section 304 are satisfied:

- (i) As duly appointed Joint Provisional Liquidators, the Petitioners are a "foreign representative" pursuant to sections 101(24) and 304 of the Bankruptcy Code; and
- (ii) The proceeding instituted by the Winding Up Petition constitutes a "foreign proceeding" pursuant to sections 101(23) and 304 of the Bankruptcy Code.

24. The Company is a foreign insurance company, domiciled in the Cayman Islands and operating as a risk retention group in the United States. As such, the Company is entitled to relief under section 304 of the Bankruptcy Code.

25. Although not necessary in order to bring this Petition, the Petitioners have consulted with the Nebraska Department of Insurance and the Nebraska Department of Insurance supports the Petitioners' request for relief through section 304 of the Bankruptcy Code.

26. The Petitioners are informed and believe that granting the relief sought herein will best assure an economical and expeditious administration of the Company's affairs, consistent with:

- (i) Just treatment of all holders of claims against or interests in the Company;
- (ii) Protection of claim holders in the United States against prejudice and inconvenience in the processing of claims in the foreign proceeding;
- (iii) Prevention of preferential or fraudulent dispositions of the Company's property;
- (iv) Distribution of proceeds of the Company's property substantially in accordance with the order prescribed by the Bankruptcy Code; and
- (v) Comity.

RELIEF SOUGHT

27. The Petitioners seek an order of this Court pursuant to sections 304 and 105 of the Bankruptcy Code:

- A. Establishing the Petitioners as the exclusive representatives of the Company in the United States for the purposes of performing their duties and exercising their

powers pursuant to the Orders of the Cayman Islands Court with respect to the Company's interests and affairs in the United States;

- B. Granting comity to and enforcing the terms of the Orders of the Cayman Islands Court with respect to the Company's interests and affairs;
- C. Enjoining all persons and entities from transferring, relinquishing or disposing of any property in which the Company has an interest, any property involved in the Company's proceeding before the Cayman Islands Court, or the proceeds of such property, to any person or entity other than the Petitioners;
- D. Enjoining all persons and entities from commencing or continuing any claim, cross-claim, counterclaim, action or other legal proceeding (including, without limitation, arbitration or judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) involving the Company, or any property in which the Company has an interest, any property involved in the Company's proceeding before the Cayman Islands Court, or the proceeds thereof, or from seeking discovery of any nature against the Company;
- E. Enjoining all persons and entities from enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment, order or arbitration award against the Company, and commencing or continuing any act or action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) to create, perfect or enforce any lien, setoff or other claim against the Company, or any property in which the Company has an interest, any property involved in the

Company's proceeding before the Cayman Islands Court, or the proceeds thereof, including, without limitation, rights under reinsurance contracts;

- F. Requiring all persons and entities, including but not limited to officers, directors, agents, or employees of the Company, either present or former, in possession, custody or control of property of the Company, or the proceeds thereof, to turn over and account for such property or its proceeds to the Petitioners;
- G. Requiring every person and entity that has a claim of any nature or source against the Company and that is a party to any action or other proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) in which the Company is or was named as a party, or as a result of which a liability of the Company may be established, to place the Petitioners' United States counsel on the master service list of any such action or other proceeding and to take such other steps as may be necessary to ensure that such counsel receives copies of (a) any and all documents served by the parties to such action or other proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding, and (b) any and all correspondence, or other documents circulated to parties listed on the master service list;
- H. Requiring every person and entity, including but not limited to officers, directors, agents, or employees of the Company, either present or former, in possession, custody, or control of books, records or other information relating to the Company's business, including, but not limited to, the acts, conduct, property, liabilities or financial affairs of the Company, or any other matter which may

affect the administration of the Company's estate, including books, records, or information that are kept in electronic format, to preserve and submit such information to the Petitioners;

- I. Providing, with respect to any claim, action, arbitration or other proceeding that may be commenced or become known to the Petitioners in the future, or the entitlement or alleged entitlement of any person or entity in or to any account or other property in which the Company has an interest, including, without limitation, any trust or escrow agreement or similar arrangement, that is identified by the Petitioners in the future (each a "Subsequent Claim"), that:
 - (i) when informed of a Subsequent Claim, counsel for the Petitioners shall serve upon the holder of such claim a copy of the Summons and Petition, and the most recent injunction order entered by the Court;
 - (ii) the holder of a Subsequent Claim will have twenty (20) days from service of the Summons in which to file an answer or motion with respect to the Petition; and
 - (iii) on not less than two (2) business days notice to counsel for the Petitioners, the holder of a Subsequent Claim may file a motion seeking an order of the Court vacating or modifying the injunction entered in this proceeding with respect to such Subsequent Claim. Such request shall be the subject matter of a hearing as scheduled by the Court. Otherwise, the holder of a Subsequent Claim may file objections and be heard by the Court in accordance with the terms of any order of the Court providing for a

hearing in the future on the relief sought by the Petitioners in this proceeding; and

J. Awarding the Petitioners such other and further relief as this Court may deem just and proper.

WHEREFORE, the Petitioners respectfully request that this Court grant the relief requested herein and such other and further relief as may be appropriate in the circumstances.

Dated this 19th day of June, 2003.

THEO BULLMORE AND SIMON WHICKER,
JOINT PROVISIONAL LIQUIDATORS,
Petitioners.

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