IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS, *ex rel.* J. ANTHONY CLARK, DIRECTOR OF INSURANCE OF THE STATE OF ILLINOIS,	)	
Plaintiffs,	)	
v.	)	NO. 04CH00150
STATEWIDE INSURANCE COMPANY, an Illinois Domestic Stock, Property and Casualty Insurance Company,	)	
Defendant.	)	

AGREED ORDER OF LIQUIDATION
WITH A FINDING OF INSOLVENCY

THIS CAUSE COMING TO BE HEARD upon the Verified Complaint for Liquidation With a Finding of Insolvency, filed herein by THE PEOPLE OF THE STATE OF ILLINOIS, upon the relation of J. ANTHONY CLARK, Director of Insurance of the State of Illinois (the "Director"), by and through their attorney, LISA M. MADIGAN, Attorney General of the State of Illinois, against the Defendant, STATEWIDE INSURANCE COMPANY ("STATEWIDE" or the "Company"), pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187 *et seq.*; the Court having jurisdiction over the parties and the subject matter; the Court having reviewed the pleadings filed and having considered the evidence and arguments of counsel; and the Court then being otherwise advised in the premises;

THE COURT FINDS THAT:

A. Sufficient cause exists for the entry of an Agreed Order of Liquidation With a Finding of Insolvency against the Defendant, STATEWIDE, including but not limited to the fact that STATEWIDE is insolvent and that its board of directors has unanimously consented to the liquidation of STATEWIDE and a finding of insolvency; and

B. Pursuant to Section 191 of the Code, 215 ILCS 5/191, the entry of the Agreed Order of Liquidation With a Finding of Insolvency creates a separate estate comprising all of the liabilities and assets of STATEWIDE; and

IT IS ORDERED THAT:

A. An Agreed Order of Liquidation With a Finding of Insolvency ("Agreed Order of Liquidation") is hereby entered as to and against STATEWIDE; and

B. There being no just reason for delaying enforcement or appeal of the Agreed Order, the Agreed Order of Liquidation is a final order; and

C. Pursuant to Section 194 of the Code, 215 ILCS 5/194, the rights and liabilities of STATEWIDE, and of its policyholders, creditors and stockholders, and all other persons interested in STATEWIDE's assets, except as provided in Paragraph (J) and except for those persons entitled to file contingent claims or to have their claims estimated, are fixed as of the effective date of the Agreed Order of Liquidation. The rights of persons entitled to file contingent claims or to have their claims estimated shall be determined as provided in Sections 209(4)(b), (6) and (7) of the Code, 215 ILCS 5/209(4)(b), (6) and (7); and

D. Pursuant to Section 209(5) of the Code, 215 ILCS 5/209(5), STATEWIDE's obligation, if any, to defend or continue the defense of any claim or suit against an insured under a liability insurance policy is terminated upon the entry of this Agreed Order of Liquidation; and

E. J. Anthony Clark, Director of Insurance of the State of Illinois, and his successors in office, is affirmed as the statutory Liquidator (the "Liquidator") of STATEWIDE, with all of the powers appurtenant thereto, including but not limited to:

(i) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Liquidator is vested by operation of law with the title to all property, contracts, and rights of action of STATEWIDE; and

(ii) Pursuant to Section 191 of the Code, *supra*, the Liquidator is entitled to immediate possession and control of all property, contracts, and rights of action of STATEWIDE; and

(iii) Pursuant to Section 191 of the Code, *supra*, the Liquidator is authorized to remove any and all records and property of STATEWIDE to his possession and control or to such other place as may be convenient for purposes of the efficient and orderly administration of STATEWIDE's liquidation; and

(iv) Pursuant to Section 193(1) of the Code, 215 ILCS 5/193(1), the Liquidator is authorized to deal with the property, business and affairs of STATEWIDE in his name, as Liquidator, and the Liquidator is authorized to deal with the property, business and affairs of STATEWIDE in the name of STATEWIDE; and

(v) Pursuant to Section 193(2) of the Code, 215 ILCS 5/193(2), the Liquidator, without the prior approval of the Court, is authorized to sell or otherwise dispose of any real or personal property of STATEWIDE, or any part thereof, and to sell or compromise all debts or claims owing to STATEWIDE having a value in the amount of Twenty-Five Thousand Dollars ($25,000) or less. Any such sale by the Liquidator of STATEWIDE's real or personal property having a value in excess of Twenty-Five Thousand Dollars ($25,000), and sale or compromise of debts owing to STATEWIDE by the Liquidator where the debt owing STATEWIDE exceeds Twenty-Five Thousand Dollars ($25,000) shall be made subject to the approval of the Court; and

(vi) Pursuant to Section 193(3) of the Code, 215 ILCS 5/193(3), the Liquidator is authorized to bring any action, claim, suit or proceeding against any director, officer, or trustee of STATEWIDE, or against any other person with respect to that person's dealings with the company, including, but not limited to, prosecuting any action, claim, suit or proceeding on behalf of STATEWIDE and/or STATEWIDE's creditors or policyholders; and

(vii) Pursuant to Section 194(b) of the Code, 215 ILCS 5/194(b), the Liquidator may, within two (2) years after the entry of the Agreed Order of Liquidation or within such further time as applicable law permits, institute an action, claim, suit or proceeding upon any cause of action against which the period of limitation fixed by applicable law had not expired as of the filing of the complaint upon which the Agreed Order of Liquidation was entered; and

(viii) Subject to the provisions of Section 202 of the Code, 215 ILCS 5/202, the Liquidator is authorized to appoint and retain those persons specified in Section 202(a) of the Code, 215 ILCS 5/202(a), and to pay, without the further order of this Court, from STATEWIDE's assets all administrative expenses incurred during the course of STATEWIDE's liquidation; and

(ix) Pursuant to Section 203 of the Code, 215 ILCS 5/203, the Liquidator shall not be required to pay any fee to any public officer for filing, recording or in any manner authenticating any paper or instrument relating to any proceeding under Article XIII of the Code, *supra*, nor for services rendered by any public officer for serving any process; and

(x) Pursuant to the provisions of Section 204 of the Code, 215 ILCS 5/204, the Liquidator may seek to avoid preferential transfers of STATEWIDE's property and to recover such property or its value, if it has been converted; and

F. The Liquidator is authorized to take such actions as the nature of the cause and the interests of STATEWIDE, its policyholders, creditors, members, stockholders or the public may require, including, but not limited to, the following:

(i) The Liquidator shall proceed to take immediate possession and control of the property, books, records, accounts, business and affairs, and all other assets of STATEWIDE, and of the premises occupied by STATEWIDE for the transaction of its business, and shall take such action as the nature of this cause and the interests of STATEWIDE's policyholders, creditors, members, stockholders or the public may require, pursuant to the provisions of Article XIII of the Code, *supra*, and the Liquidator is further directed and authorized to liquidate, wind down, or terminate STATEWIDE's business and affairs, and to make the continued expenditure of such wages, rents and expenses as he may deem necessary and proper for the administration of STATEWIDE's liquidation; and

(ii) The Liquidator may both sue and defend on behalf of STATEWIDE, or for the benefit of STATEWIDE's policyholders and creditors, in the courts either in his name as Liquidator, or in the name of STATEWIDE; and

G. The Liquidator is vested with the right, title and interest in all funds recoverable under any insurance policies, and any treaties and agreements of excess insurance or reinsurance heretofore entered into by or on behalf of STATEWIDE, and that all insurance, excess insurance or reinsurance companies involved with STATEWIDE be restrained and enjoined from making any settlements with any claimant or policyholder of STATEWIDE, or any other person, other than the Liquidator, except with the written consent of the Liquidator; and

H. The caption in this cause and all pleadings filed in this matter shall read:

"IN THE MATTER OF THE LIQUIDATION OF STATEWIDE INSURANCE COMPANY"

I. All costs of these proceedings shall be taxed and assessed against the Defendant, STATEWIDE; and

J. All direct policies and/or certificates of insurance heretofore issued by STATEWIDE are hereby canceled upon the following terms:

(i) All direct policies, bonds and/or certificates of insurance which may give rise to "covered claims," as defined in Sections 534.3 and 537.2 of the Code, 215 ILCS 5/534.3 and 537.2, of the Illinois Insurance Guaranty Fund or which may give rise to "covered claims" of a similar organization in any other state, as defined by the provisions of such similar statute in any such other state, shall be cancelled:

(a) At 12:01 a.m., local time of the insured or policyholder of any such direct policy, bond and/or certificate of insurance, on the thirty-first (31st) day following the effective date of the Agreed Order of Liquidation; or

(b) Upon the expiration date of any such direct policy, bond and/or certificate of insurance, if the expiration date is less than thirty-one (31) days after the effective date of the Agreed Order of Liquidation; or

(c) Upon the date the insured or policyholder of any such direct policy, bond and/or certificate of insurance replaces the direct policy and/or

certificate of insurance, or upon the date the policyholder or insured on request effects cancellation, if the insured or policyholder does so prior to the thirty-first (31st) day following the effective date of the Agreed Order of Liquidation, whichever is earlier;

(ii) All direct policies, bonds and/or certificates of insurance which are covered policies or certificates of insurance within the meaning of the Illinois Life and Health Insurance Guaranty Association Law, 215 ILCS 5/531.01 *et seq.*, or any similar life, accident and health insurance guaranty association law of any other state, or the obligations, or any part thereof, of which the Illinois Life and Health Insurance Guaranty Association, or any similar life, accident and health insurance guaranty association organization in any other state, is obligated to assure payment of, shall remain in full force and effect until cancelled, or until they expire in accordance with their terms.

(iii) All other direct policies, bonds and/or certificates of insurance issued by STATEWIDE shall be cancelled effective upon the entry of this Agreed Order of Liquidation; and

K. Pursuant to its authority under Section 189 of the Code, 215 ILCS 5/189, the Court hereby issues the following mandatory and prohibitive injunctions:

(i) To enable the Liquidator to fulfill his statutory obligation to marshal the assets of the estate, including the investigation of potential claims of improper conduct against any person with respect to their dealings with the Company as provided under Section 193(3) of the Code, 215 ILCS 5/193(3), all officers, directors, trustees, agents, managing general agents, third party administrators, servants, representatives, fronting carriers, reinsurers, retrocessionaires, accountants, auditors, actuaries, consultants, attorneys and employees of STATEWIDE, and all other persons or entities having knowledge of this Agreed Order of Liquidation, are ordered to deliver to the Liquidator, at his request, copies of all documents in their possession or under their control concerning or relating to STATEWIDE, and to provide the Liquidator with such information as he may require concerning any and all business and/or professional relationships or dealings with STATEWIDE, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of STATEWIDE or its officers, directors, trustees, agents, servants, representatives and/or employees, or which STATEWIDE is, or may be, entitled to as the result of its relationship with such agents, managing general agents, third party administrators, fronting carriers, reinsurers, retrocessionaires, accountants, auditors, actuaries, consultants and attorneys; and

(ii) STATEWIDE and its officers, directors, trustees, agents, managing general agents, third party administrators, servants, representatives, employees, and affiliated companies, and all other persons and entities having knowledge of this Agreed Order of Liquidation, shall give immediate possession and control to the Liquidator of all property, business, books, records and accounts of STATEWIDE, and all premises occupied by STATEWIDE for the transaction of its business; and

(iii) STATEWIDE and its officers, directors, trustees, agents, third party administrators, managing general agents, servants, representatives, employees, and affiliated companies, and all other persons and entities having knowledge of this Agreed Order of Liquidation, are restrained from transacting any business of STATEWIDE, or dealing with or disposing of, any of STATEWIDE's property or assets, whether real, personal or mixed, without the express written consent of the Liquidator, or doing or permitting to be done any action which might waste or conceal STATEWIDE's property or assets; and

(iv) The officers, directors, trustees, agents, third party administrators, managing general agents, servants, representatives, policyholders, creditors, employees, and affiliated companies of STATEWIDE, and all other persons and entities having knowledge of this Agreed Order of Liquidation, are restrained from: (i) bringing, asserting or further prosecuting any claim, action or proceeding, at law or in equity or otherwise, whether in this State or elsewhere, against STATEWIDE, or its property or assets, or against the Liquidator, except insofar as those claims, actions or proceedings arise in or are brought in the liquidation proceedings prayed for herein; (ii) obtaining, asserting or enforcing preferences, judgments, attachments, garnishments, or other like liens or encumbrances, including common law retaining liens, or the making of any levy against STATEWIDE, or its property or assets, while in the possession and control of the Liquidator; (iii) interfering, in any way, with the Liquidator's conduct of the liquidation of STATEWIDE; and (iv) interfering, in any way, with the Liquidator in his possession or control of the property, business, books, records, accounts, premises and all other assets of STATEWIDE; and

(v) Any and all banks, brokerage houses, financial institutions, investment advisors, and any and all other companies, persons or entities having knowledge of this Agreed Order of Liquidation, having in their possession accounts and any other assets which are, or may be, the property of STATEWIDE, are restrained from disbursing or disposing of said accounts and assets without the express written consent of the Liquidator; and are further restrained from disposing of or destroying any records pertaining to any business transaction between STATEWIDE and such banks, brokerage houses, financial institutions, investment advisors, companies, persons or

entities having done business, or doing business, with STATEWIDE; and further, each such company, person or entity is ordered to immediately turn over and deliver any and all such accounts, assets and/or records to the Liquidator; and

(vi) All agents, managing general agents, third party administrators, and brokers of STATEWIDE, and its respective agents, servants, representatives, employees, and affiliated companies, and all other persons having knowledge of this Agreed Order of Liquidation, are restrained from returning any premium, earned or unearned, or any other money in their possession or under their control, collected in connection with policies, contracts, bonds, certificates or treaties of insurance or reinsurance, previously issued, or to be issued, by STATEWIDE, to policyholders or others; and all said agents, managing general agents, third party administrators and brokers, and STATEWIDE's agents, servants, representatives, employees, and affiliated companies, and all other persons and entities having knowledge of this Agreed Order of Liquidation, are directed to turn over all such funds in their possession or under their control, or to which they may hereafter acquire possession or control, to the Liquidator, in gross and not net of any commissions which may be due thereon, subject to the provisions of 215 ILCS 5/206; and

(vii) All policyholders under policies of insurance issued by STATEWIDE, employees, and any other persons asserting claims against such policyholders, and creditors of STATEWIDE, and all other persons, companies and entities having knowledge of this Agreed Order of Liquidation, are restrained from instituting or pursuing any action or proceeding in any court or before any administrative agency, including boards and commissions administering workers' compensation or occupational diseases or similar laws of the State of Illinois, or any other state, or of the United States, which seeks in any way, directly or indirectly, to contest or interfere with the Liquidator's exclusive right, title and interest to funds recoverable under treaties and agreements of reinsurance or excess insurance heretofore entered into by or on behalf of STATEWIDE; and

(viii) All insurance and reinsurance companies and entities that assumed liabilities from STATEWIDE, arising under contracts, bonds, policies of insurance, certificates or treaties of insurance or reinsurance issued by STATEWIDE, are restrained from making any settlements with any claimant or policyholder of STATEWIDE, or any other person other than the Liquidator, except with the written consent of the Liquidator, except when the reinsurance agreement, certificate, contract or treaty lawfully provides for payment to or on behalf of STATEWIDE's insured by the reinsurer; and

(ix) All contracts, treaties and agreements of reinsurance wherein STATEWIDE was, or is, the assuming or retrocessional reinsurer are hereby canceled on a "cut off" basis, effective upon the entry of this Order of Liquidation; and

L. This Honorable Court shall make such further orders as it may deem necessary.

ENTERED:

ENTERED

JAN - 6 2004

Judge Presiding JUDGE WILLIAM MAKI
CIRCUIT COURT - 1604

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