BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

TENNESSEE INSURANCE DIVISION,	)	
Petitioner,	)	
	)	
vs.	)	**TID No.: 16-081**
	)	
AFFIRMATIVE INSURANCE COMPANY	)	
Respondent.	)	

CONSENT ORDER

WHEREAS, Petitioner, the Tennessee Insurance Division, ("Division") and the Respondent, Affirmative Insurance Company ("Respondent"), hereby stipulate and agree, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance ("Commissioner") as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. This Consent Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not

specifically addressed in this Consent Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Respondent fully understands that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner for violations of the Law addressed specifically in this Consent Order, against the Respondent for violations of law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondent.

5. Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of this Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

AUTHORITY AND JURISDICTION

6. The Commissioner has jurisdiction over this matter pursuant to Tennessee Insurance Law ("Law"), Title 56 of the Tennessee Code Annotated ("Tenn. Code Ann."), specifically, Tenn. Code Ann. §§ 56-1-101 *et seq.*, 56-1-401 *et seq.*, 56-2-102, 56-2-103, 56-2-305, and 56-11-101 through 56-11-119. The Law places on the Commissioner the responsibility of the administration of its provisions.

PARTIES

7. The Division is the lawful agent through which the Commissioner administers the Law and is authorized to bring this action for the protection of the public.

8. Respondent is an insurance company licensed by the Commissioner to conduct insurance business in the State of Tennessee. The principal place of business on file with the Division is: 4450 Sojourn Drive, Suite 500, Addison, Texas 75001.

FINDINGS OF FACT

9. Respondent is a property insurance company domiciled in the State of Illinois.

10. Respondent has received a Certificate of Authority to sell property insurance in the State of Tennessee, thereby subjecting Respondent to regulations pursuant to the Law, specifically Tenn. Code Ann. §§ 56-1-101, *et seq*.

11. On September 16, 2015, the Illinois Department of Insurance and Respondent entered into an Agreed Order of Rehabilitation under supervision of the Circuit Court of Cook County, Illinois ("Court"), thus placing Respondent into receivership and rehabilitation under the direction and control of the Acting Director of the Illinois Department of Insurance, Anne Melissa Downing, and her predecessors, as "Rehabilitator." A true and accurate copy of this Agreed Order is attached hereto as Exhibit A.

12. On March 24, 2016, the Court entered an Order of Liquidation with Finding of Insolvency against Respondent, thus placing Respondent into receivership and liquidation under the direction and control of the Acting Director of the Illinois Department of Insurance, Anne Melissa Downing, and her predecessors, as "Receiver" in order to protect the interests of creditors, policyholders, and the public from harm. A true and accurate copy of this Order is attached hereto as Exhibit B.

13. Accordingly, as of on or about March 24, 2016, Respondent is an insolvent insurance company.

CONCLUSIONS OF LAW

14. According to Tenn. Comp. R. & Reg. 0780-01-66-.03, "Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition," Respondent violates standard 0780-01-66-.03(20) for being found to be insolvent and placed into

liquidation, which qualifies as a finding by the Commissioner that Respondent's continued licensure is hazardous to policyholders, creditors, or the general public.

15. Tenn. Code Ann. § 56-1-416 provides that the Commissioner shall revoke or suspend all certificates of authority granted to an insurance company if the Commissioner is of the opinion, upon examination or other evidence, that a foreign insurance company is in an unsound condition or has failed to comply with the law and, upon such a finding, no new business shall be done by the company or its agents under suspension or revocation while such default or disability continues until its authority to do business is restored by the Commissioner.

ORDER

NOW THEREFORE, on the basis of the foregoing and Respondent's waiver of the right to a hearing and appeal under the Law and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 through 4-5-404, and Respondent's admission of jurisdiction of the Commissioner, the Commissioner finds that Respondent, for the purpose of settling this matter, admits the Findings of Fact and Conclusions of Law, agrees to the entry of this Order and agrees that this Order is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Law.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 56-1-416 of the Tennessee Insurance Law, that:

1. Respondent's Certificate of Authority is hereby **SUSPENDED** for a period of two (2) years. During such period, Respondent shall continue to be licensed in Tennessee but shall cease writing any new business in the State of Tennessee, and shall renew only those policies that the law may require or that the insured has a contractual right to renew. Should the Commissioner determine that the Respondent's financial condition is no longer unsound, she may at any time remove the suspension of the Respondent's Certificate of Authority provided the

Respondent meets all requirements for Tenn. Code Ann. §§ 56-1-501, 56-1-502, 56-2-101 through 56-2-104, 56-2-113 through 56-2-115, 56-2-201 and 56-2-301. The Commissioner, in her sole discretion, may also extend the suspension period should she find such extension to be in the public interest. However, in the event Respondent's Certificate of Authority is not reinstated within two (2) years from the date of this Order, unless the Commissioner has extended the suspension period, the Respondent's Certificate of Authority shall be automatically revoked without further action by the Commissioner or the Division.

2. Except as otherwise directed by the Court having jurisdiction over the receivership and/or liquidation, Respondent shall continue to service existing policyholders, adjust losses and pay fees, licenses, and taxes as required by the Law.

This Consent Order is in the public interest and in the best interests of the parties. This Consent Order represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, Affirmative Insurance Company affirmatively states that is has freely agreed to the entry of this Consent Order, that it has been advised that it may consult legal counsel in this matter and has had the opportunity to consult with legal counsel, that it waives its right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

Nothing in this Consent Order should be construed to limit the authority of the Insurance Division or the Commissioner to take further action against the Respondent should such action, in the opinion of the Insurance Division or the Commissioner, be necessary.

SO ORDERED.

ENTERED this the 23 day of September, 2016.

Julie Mix McPeak, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Affirmative Insurance Company
J. Kevin Baldwin
Counsel to Director as Receiver

Michael Humphreys
Assistant Commissioner for Insurance
Department of Commerce and Insurance

Respectfully Submitted,

Kathleen Dixon BPR # 32072
Assistant General Counsel
500 James Robertson Parkway
Davy Crockett Tower
Nashville, TN 37243
(615) 532-6830
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EXHIBIT A

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

PEOPLE OF THE STATE OF ILLINOIS, *ex rel.* ANNE MELISSA DOWLING, ACTING DIRECTOR OF INSURANCE OF THE STATE OF ILLINOIS,	)	2015CH13718
	)	CALENDAR/ROOM 13
Plaintiffs,	)	TIME 00:00
	)	Injunction
v.	)	**NO.:**
	)	
AFFIRMATIVE INSURANCE COMPANY, an Illinois domestic property and casualty stock company,	)	
	)	
Defendant.	)	

AGREED ORDER OF REHABILITATION

THIS CAUSE COMING TO BE HEARD upon the Verified Complaint for Rehabilitation filed herein by THE PEOPLE OF THE STATE OF ILLINOIS, upon the relation of ANNE MELISSA DOWLING, Acting Director of Insurance of the State of Illinois (the "Director"), seeking an Order of Rehabilitation as to and against Affirmative Insurance Company ("Affirmative") pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187 *et seq*. ("Article XIII"); the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having reviewed the pleadings filed herein and having considered arguments of counsel thereon, and the Court then being otherwise advised in the premises, and for good cause appearing therefore;

The Court Hereby Finds That:

A. Sufficient cause exists for the entry of an order for rehabilitation of the Defendant, Affirmative, including that a majority of the Board of Directors of Affirmative has approved a resolution consenting to the entry of an Agreed Order placing Affirmative into rehabilitation pursuant to the provisions of Article XIII; and

B. Pursuant to Section 191 of the Code, 215 ILCS 5/191, this Agreed Order creates an estate comprising of all of the liabilities and assets of Affirmative; and

C. Upon the entry of the Order prayed for herein, the Rehabilitator's statutory authority includes, without limitation, the following:

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

(ii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is entitled to immediate possession and control of all property, contracts, and rights of action of Affirmative; and

(iii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is authorized to remove any and all records and property of Affirmative to her possession

and control or to such other place as may be convenient for purposes of the efficient and orderly administration of the rehabilitation of Affirmative; and

(iv) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator is authorized to deal with the property, business and affairs of Affirmative in her name, as Director; and

(v) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator, without the prior approval of the Court, is authorized to sell or otherwise dispose of any real or personal property of Affirmative, or any part thereof, and to sell or compromise all debts or claims owing to Affirmative having a value in the amount of Twenty-Five Thousand ($25,000.00) Dollars, or less. Any such sale by the Rehabilitator of the real or personal property of Affirmative having a value in excess of Twenty-Five Thousand ($25,000.00) Dollars, and sale or compromise of debts owing to Affirmative by the Rehabilitator where the debt owing to Affirmative exceeds Twenty-Five Thousand ($25,000.00) Dollars shall be made subject to the approval of the Court; and

(vi) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator may solicit contracts whereby a solvent company agrees to assume, in whole or in part, or upon a modified basis, the liabilities of a company in rehabilitation in a manner consistent with subsection (4) of Section 193 of the Code, 215 ILCS 5/193(4); and

(vii) Pursuant to Section 192(3) of the Code, 215 ILCS 5/192(3), the Rehabilitator is authorized to bring any action, claim, suit or proceeding against any person with respect to that person's dealings with Affirmative including, but not limited to, prosecuting any action, claim, suit, or proceeding on behalf of the policyholders, claimants, beneficiaries or creditors of Affirmative; and

(viii) Pursuant to Section 192(4) of the Code, 215 ILCS 5/192(4), if at any time the Rehabilitator finds that it is in the best interests of the policyholders, claimants, beneficiaries, and creditors to effect a plan of rehabilitation, the Rehabilitator may submit such a plan to the Court for its approval; and

(ix) Pursuant to Section 194(b) of the Code, 215 ILCS 5/194(b), the Rehabilitator may, within two (2) years after the entry of the rehabilitation order prayed for herein 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 rehabilitation order was entered; and

(x) Subject to the provisions of Section 202 of the Code, 215 ILCS 5/202, the Rehabilitator 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 the respective assets of Affirmative, all administrative expenses incurred during the course of the rehabilitation of Affirmative; and

(xi) Pursuant to Section 203 of the Code, 215 ILCS 5/203, the Rehabilitator 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 Illinois Insurance Code, 215 ILCS 5/187, *et seq.*, nor for services rendered by any public officer for serving any process; and

(xii) Pursuant to the provisions of Section 204 of the Code, 215 ILCS 5/204, the Rehabilitator may seek to avoid preferential transfers of the property of Affirmative and to recover such property or its value, if it has been converted, except for payments made in the ordinary course of business or payments made pursuant to 215 ILCS 5/204(m)(C).

D. This Agreed Order of Rehabilitation affirming Anne Melissa Dowling, Acting Director of Insurance of the State of Illinois, and her successors in office as Rehabilitator of Affirmative is an interlocutory appealable order as of right pursuant to Illinois Supreme Court Rule 307.

It Is Hereby Ordered That:

1. The Agreed Order of Rehabilitation prayed for herein is entered as, to and against Affirmative.

2. There being no just reason for delaying enforcement or appeal of the Agreed Order prayed for herein, the Agreed Order of Rehabilitation is a final order within the meaning of Illinois Supreme Court Rule 307(a)(5).

3. Anne Melissa Dowling, Acting Director of Insurance of the State of Illinois, and her successors in office, is affirmed as the statutory Rehabilitator (the "Rehabilitator") of Affirmative, with all of the powers appurtenant thereto.

4. All treaties, contracts and agreements of reinsurance, wherein Affirmative is the ceding company, shall remain in full force and effect pending a determination and recommendation by the Director as to when, and upon what terms, cancellation is appropriate. All treaties, contracts and agreements of reinsurance wherein Affirmative was, or is, the assuming or retrocessional reinsurer are canceled on a cut-off basis, effective upon the entry of this Order of Rehabilitation; the foregoing notwithstanding, all treaties, contracts and agreements of reinsurance under which a direct or indirect subsidiary of Affirmative was the ceding company and Affirmative was the assuming company shall remain in full force and effect.

5. Subject to the further orders of the Court, the Rehabilitator is authorized to take such actions as the nature of the cause and the interests of Affirmative, and its policyholders, claimants, beneficiaries, creditors, or the public may require including, but not limited to, the following:

A. The Rehabilitator shall proceed to take immediate possession and control of the

property, books, records, accounts, business and affairs, and all other assets of Affirmative, and of the premises occupied by it for the transaction of its business, and may marshal and liquidate the assets, business and affairs of Affirmative pursuant to the provisions of Article XIII of the Code, *supra,* and the Rehabilitator is authorized to wind down and terminate the business and affairs of Affirmative, and to make the continued expenditure of such wages, rents and expenses as she may deem necessary and proper for the administration of the rehabilitation of Affirmative; and

B. The Rehabilitator may both sue and defend on behalf of Affirmative, or for the benefit of the policyholders, claimants and other creditors of Affirmative, in the courts either in her name as the Rehabilitator of Affirmative, or in the name of Affirmative, as the case may be.

6. The Director is vested with the right, title and interest in all funds recoverable under contracts, treaties, certificates, and agreements of reinsurance heretofore entered into by or on behalf of Affirmative, and that all reinsurance companies involved with Affirmative are restrained and enjoined from making any settlements with any claimant or policyholder of Affirmative, or any other person, other than the Director as Rehabilitator, except with the written consent of the Director, except when the reinsurance contract, treaty, certificate, or agreement expressly and lawfully provides for payment by the reinsurer directly to a claimant or policyholder on the behalf of Affirmative.

7. Any acts or omissions of the Rehabilitator in connection with the rehabilitation,

shall not be construed or considered to be a preference within the meaning of Section 204 of the Code, 215 ILCS 5/204, notwithstanding the fact that any such act or omission may cause a policyholder, claimant, beneficiary, third party or creditor to receive a greater percentage of debt owed to or by Affirmative than any other policyholder, claimant, member, third party or creditor in the same class.

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

"IN THE MATTER OF THE REHABILITATION OF AFFIRMATIVE INSURANCE COMPANY"

9. All costs of the proceedings prayed for herein shall be taxed and assessed against the Defendant, Affirmative.

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

A. All accountants, auditors and attorneys of Affirmative are ordered to deliver to the Rehabilitator, at her request, copies of all documents in their possession or under their control concerning or related to Affirmative, and to provide the Rehabilitator with such information as she may require concerning any and all business and/or professional relationships between them and Affirmative, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of Affirmative, or their agents, servants, officers, directors and/or employees, or which Affirmative may be, or are, entitled to as the result of its relationship with such

accountants, auditors and attorneys; and

B. Affirmative and its directors, officers, agents, servants, representatives, employees, and affiliated companies, and all other persons and entities, shall give immediate possession and control to the Rehabilitator of all property, business, books, records and accounts of Affirmative, and all premises occupied by Affirmative for the transaction of its business; and

C. Affirmative and its officers, directors, agents, servants, representatives and employees, and all other persons and entities having knowledge of this Agreed Order are restrained and enjoined from transacting any business of Affirmative, or disposing of any company property or assets, including books, records and computer and other electronic data, without the express written consent of the Rehabilitator, or doing or permitting to be done any action which might waste the property or assets of Affirmative, until the further order of this Court; and

D. The officers, directors, agents, servants, representatives and employees of Affirmative, and all other persons and entities having knowledge of this Agreed Order are restrained and enjoined from bringing or further prosecuting any claim, action or proceeding at law or in equity or otherwise, whether in this State or elsewhere, against Affirmative, or its property or assets, or the Director or Rehabilitator, except insofar as those claims, actions or proceedings arise in or are brought in these rehabilitation proceedings; or from obtaining, asserting or enforcing preferences, judgments,

attachments or other like liens, including common law retaining liens, or encumbrances or the making of any levy against Affirmative, or its property or assets while in the possession and control of the Rehabilitator, or from interfering in any way with the Rehabilitator in her possession or control of the property, business, books, records, accounts, premises and all other assets of Affirmative, until the further order of this Court; and

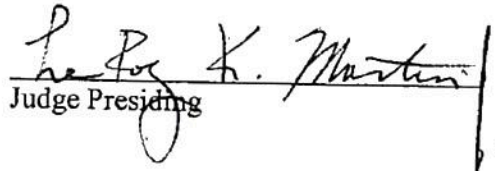
E. Any and all banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of this Agreed Order having in its possession accounts and any other assets which are, or may be, the property of Affirmative, are restrained and enjoined from disbursing or disposing of said accounts and assets unless otherwise authorized or approved by the Rehabilitator and are further restrained and enjoined from disposing of or destroying any records pertaining to any business transaction between Affirmative, and such banks, brokerage houses, financial institutions, companies, persons or entities having done business, or doing business, with Affirmative, or having in their possession assets which are, or may be, the property of Affirmative, and further, that each such person or entity is ordered to immediately deliver any and all such assets and/or records to the Rehabilitator; and

F. All insurance and reinsurance companies and entities that assumed liabilities from Affirmative arising under either contracts, policies of insurance, certificates of insurance, or agreement, contracts, treaties or certificates of reinsurance issued by Affirmative, are restrained and enjoined from making any settlements with any claimant or policyholder

of Affirmative, or any other person other than the Rehabilitator, except with the written consent of the Rehabilitator, except when the reinsurance agreement, contract, treaty, or certificate expressly and lawfully provides for payment to or on the behalf of Affirmative' insured by the reinsurer.

11. The Court retains jurisdiction in this cause for the purpose of granting such other and further relief as the nature of this cause and the interests of Affirmative, its policyholders, beneficiaries, members and creditors, or of the public, may require and/or as the Court may deem proper in the premises.

ENTERED:



Judge Presiding

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EXHIBIT B

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

PEOPLE OF THE STATE OF ILLINOIS, *ex rel.*, ANNE MELISSA DOWLING, ACTING DIRECTOR OF INSURANCE OF THE STATE OF ILLINOIS,	)	
Plaintiffs,	)	
v.	)	NO. 15 CH 13718
AFFIRMATIVE INSURANCE COMPANY an Illinois domestic property and casualty stock company,	)	
Defendant.	)	

ORDER OF LIQUIDATION
WITH 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 ANNE MELISSA DOWLING, Acting Director of Insurance of the State of Illinois (the "Director), seeking an Order of Liquidation with a Finding of Insolvency as to and against Affirmative Insurance Company ("Affirmative") pursuant to the provisions of Article XIII, 215 ILCS 5/187 *et seq.*, of the Illinois Insurance Code (the "Code"), 215 ILCS 5/1 *et seq.*; the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having reviewed the pleadings filed herein and having considered arguments of counsel thereon, and the Court then being otherwise advised in the premises, and for good cause appearing therefore;

THE COURT FINDS:

1. Sufficient cause exists for the entry of an order for liquidation of the Defendant, Affirmative, including the fact that Affirmative is insolvent; and

2. Pursuant to Section 191 of the Code, 215 ILCS 5/191, the entry of this Order creates an estate comprising of all of the liabilities and assets of Affirmative; and

3. There being no just reason for delaying enforcement or appeal of this Order, this Order is a final order within the meaning of Illinois Supreme Court Rule 307(a)(5); and

4. With the entry of this Order, the Liquidator's statutory authority includes, without limitation, the following:

a. 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 Affirmative; and

b. Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Liquidator is entitled to immediate possession and control of all property, contracts, and rights of action of Affirmative; and

c. Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Liquidator is authorized to remove any and all records and property of Affirmative to her possession and control or to such other place as may be convenient for purposes of the efficient and orderly administration of Affirmative's liquidation; and

d. 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 Affirmative in her name as Director or, if the Court shall so order, in the name of Affirmative; and

e. 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 Affirmative, or any part thereof, and to sell or compromise all debts or claims owing to Affirmative having a value in the amount of Twenty-Five Thousand Dollars ($25,000.00), or less. Any such sale by the Liquidator of the real or personal property of Affirmative having a value in excess of Twenty-Five Thousand Dollars ($25,000.00), and sale or compromise of debts owing to Affirmative by the Liquidator where the debt owing to Affirmative exceeds Twenty-Five Thousand Dollars ($25,000.00) shall be made subject to the approval of the Court; and

f. 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 person with respect to that person's dealings with Affirmative including, but not limited to, prosecuting any action, claim, suit, or proceeding on behalf of the policyholders, beneficiaries or creditors of Affirmative; and

g. Pursuant to Section 193(4) of the Code, 215 ILCS 5/193(4), the Liquidator may solicit contracts whereby a solvent company agrees to assume, in whole or in part, or upon a modified basis, the liabilities of Affirmative owing to former policyholders and creditors; and

h. Pursuant to Section 194(a) of the Code, 215 ILCS 5/194(a), the rights and liabilities of Affirmative, and of its policyholders, creditors, and all other persons interested in Affirmative's assets, are fixed as of the date of the entry of the order of liquidation prayed for herein, unless otherwise provided by order of the Court; and

i. 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 liquidation order prayed for herein 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 said order was entered; and

j. 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 the Court, from the assets of Affirmative, all administrative expenses incurred during the course of the liquidation of Affirmative; and

k. 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 Illinois Insurance Code, 215 ILCS 5/187, *et seq.*, nor for services rendered by any public officer for serving any process; and

l. Pursuant to the provisions of Section 204 of the Code, 215 ILCS 5/204, the Liquidator may seek to avoid preferential transfers of the property of Affirmative and to recover such property or its value, if it has been converted; and

m. Pursuant to Section 209(5) of the Code, 215 ILCS 5/209(5), the obligation of Affirmative, if any, to defend or continue the defense of any claim or suit under a liability insurance policy shall terminate upon the entry of the order of liquidation prayed for herein.

IT IS HEREBY ORDERED THAT:

A. Anne Melissa Dowling, Acting Director of Insurance of the State of Illinois, and her successors in office, are affirmed as the statutory Liquidator (the "Liquidator") of Affirmative, with all of the powers appurtenant thereto.

B. Subject to the further orders of this Court, the Liquidator is authorized to take such actions as the nature of the cause and the interests of Affirmative, its policyholders, beneficiaries, creditors, or the public may require including, but not limited to, the following:

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

ii. The Liquidator is authorized to sue, defend, and settle claims on behalf of Affirmative, or for the benefit of Affirmative's policyholders, beneficiaries and creditors, in the courts either in her name as the Liquidator of Affirmative, or in the name of Affirmative.

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

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

D. All costs of these proceedings shall be taxed and assessed against the Defendant, Affirmative.

E. 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. In accordance with Section 191 of the Code, *supra,* all persons, companies, and entities shall immediately release their possession and control of any and all property, contracts, and rights of action of Affirmative to the Director including, but not limited to, bank accounts and bank records, premium and related records, and claim, underwriting, accounting and litigation files, as follows:

a. All accountants, auditors, actuaries, and attorneys of Affirmative having knowledge of this are ordered to deliver to the Liquidator, at her request, copies of all documents in their possession or under their control concerning or related to Affirmative, and to provide the Liquidator with such information as she may require concerning any and all business and/or profcssional relationships between them and Affirmative, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of Affirmative, or its agents, servants, officers, trustees, directors, third party administrators and/or employees, or which Affirmative may be, or is, entitled to as the result of its relationship with such accountants, auditors, actuaries, and attorneys; and

b. Affirmative and its directors, trustees, officers, agents, third party administrators, servants, representatives and employees, and all other

persons and entities having knowledge of this order are ordered to give immediate possession and control to the Liquidator, at her request, of all property, business, books, records and accounts of Affirmative, and all premises occupied by Affirmative for the transaction of its business; and

c. All banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of this are ordered to immediately deliver any and all such assets and/or records to the Liquidator; and

ii. Affirmative and its directors, trustees, officers, agents, third party administrators, servants, representatives and employees, and all other persons and entities having knowledge of this order are enjoined and restrained from transacting any business of Affirmative, or disposing of any of Affirmative's property or assets, without the express written consent of the Liquidator, or doing or permitting to be done any action which might waste the property or assets of Affirmative, until the further order of the Court; and

iii. The directors, trustees, officers, agents, third party administrators, servants, representatives and employees of Affirmative, and all other persons and entities, including Affirmative's policyholders and creditors, having knowledge of this order are enjoined and restrained from bringing or further prosecuting any claim, action or proceeding at law or in equity or otherwise, whether in this State or elsewhere, against Affirmative, or its property or assets, or the Director as its Liquidator, except insofar as those claims, actions or proceedings arise in or are brought in these liquidation proceedings; and from obtaining, asserting or

enforcing preferences, judgments, attachments or other like liens, including common law retaining liens, or encumbrances or the making of any levy against Affirmative, or its property or assets while in the possession and control of the Liquidator; and from interfering in any way with the Liquidator in her possession or control of the property, business, books, records, accounts, premises and all other assets of Affirmative, until the further order of the Court; and

iv. Any and all banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of this order, and having in its possession accounts and any other assets which are, or may be, the property of Affirmative, are enjoined and restrained from disbursing or disposing of said accounts and assets and are further enjoined and restrained from disposing of or destroying any records pertaining to any business transaction between Affirmative and such banks, brokerage houses, financial institutions, companies, persons or entities having done business, or doing business, with Affirmative, or having in its possession assets which are, or may be, the property of Affirmative; and

v. All agents, brokers and producers of Affirmative, and their respective agents, servants, representatives and employees, and all other persons or entities having knowledge of this order are enjoined and restrained from returning any unearned premiums or any money in their possession, or under their control, collected from premiums, contributions or assessments upon policies, contracts or certificates of insurance or reinsurance previously issued by Affirmative, to policyholders, beneficiaries, certificate holders or others, and all said agents, brokers and producers and their respective agents, servants, representatives and employees 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; and

vi. The Director is vested with the right, title and interest in all funds recoverable under treaties and agreements of excess insurance or reinsurance heretofore entered into by or on behalf of Affirmative, and all insurance and reinsurance companies and entities that assumed liabilities from Affirmative arising under either contracts, policies, certificates, treaties or agreements of insurance or reinsurance issued by Affirmative, are enjoined and restrained from making any settlements with any claimant or policyholder of Affirmative, or any other person other than the Liquidator, except with the written consent of the Liquidator, or when the insurance or reinsurance contract, policy, certificate, treaty or agreement lawfully provides for payment to or on the behalf of Affirmative's insured by the assuming reinsurer.

F. All direct policies and/or certificates of insurance, and bonds heretofore issued by Affirmative are hereby canceled upon the following terms:

i. All direct policies and/or certificates of insurance, and bonds 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, policyholder, or principal

of any such direct policy and/or certificate of insurance, or bond on the thirty-first (31st) day following the effective date of this order of liquidation; or

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

c. Upon the date the insured, policyholder, or principal of any such direct policy and/or certificate of insurance, or bond replaces the direct policy and/or certificate of insurance, or bond or upon the date the policyholder, insured, or principal on request effects cancellation, if the insured, policyholder, or principal does so prior to the thirty-first (31st) day following the effective date of this order of liquidation, whichever is earlier;

ii. All other direct policies and/or certificates of insurance, and bonds heretofore issued by Affirmative are canceled effective upon the entry of this order of liquidation.

G. All contracts, treaties and agreements of reinsurance wherein Affirmative was, or is, the assuming or retrocessional reinsurer are cancelled on a "cut-off" basis; and all other treaties, contracts and agreements of reinsurance, wherein Affirmative is the ceding company, shall remain in full force and effect pending a determination and recommendation by the Director as to when, and upon what terms, cancellation is appropriate; and

H. The Court's September 16, 2015, Order of Rehabilitation, entered as to and against Affirmative is vacated, and the rehabilitation proceedings arising therefrom, are hereby terminated.

I. The Court shall retain jurisdiction in this cause for the purpose of granting such further relief as the nature of the cause and the interests of Affirmative, its policyholders, beneficiaries and creditors, or of the public, may require and/or as the Court may deem proper in the premises.

ENTERED:

Presiding Judge

Judge Anna Helen Demacopoulos

MAR 24 2016

Circuit Court – 2002

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