

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

SEP 17 PM 2:25

IN THE MATTER OF THE REHABILITATION OF)
MIDLAND INSURANCE GROUP, INC., STUDENT)
PLANS, INC. AND SECURITY INSURANCE) NO. 05 CH 11102
COMPANY, LTD.)
)

EMERGENCY PETITION FOR APPROVAL OF CONTRACT
PURSUANT TO 215 ILCS 5/192(2) AND 5/193(4)

NOW COMES MICHAEL T. McRAITH, Director of Insurance of the State of Illinois (the "Director"), in his capacity as the statutory and court-affirmed Rehabilitator of Midland Insurance Group, Inc. ("Midland"), Student Plans, Inc. ("Student Plans") and Security Insurance Company, Ltd. ("Security Ltd.") (collectively, the "Companies"), by and through one of his attorneys, and respectfully petitions this Court for the entry of an Order pursuant to 215 ILCS 5/192(2) and 5/193(4), approving an assumption agreement between the Rehabilitator and Markel Insurance Company, and in support thereof he sates as follows:

1. On August 9, 2005, this Court entered an Agreed Order of Rehabilitation against Midland, Student Plans and Security Ltd. pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187, *et seq.*

2. The Agreed Order of Rehabilitation appointed the Director as Rehabilitator of the Companies, and vested the Rehabilitator with title to all property, contracts, and rights of action of Midland, Student Plans and Security Ltd. The Agreed Order of Rehabilitation further authorized the Rehabilitator to deal with the property and business of Midland, Student Plans and Security Ltd.

3. Pursuant to 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 this Code [215 ILCS 5/193(4)].” Section 193(4) of the Code provides in relevant part:

Sec. 193. Duties of Director...; sales...

- (4) In order to preserve so far as possible the rights and interests of the policyholders of the company whose contracts were cancelled...as much as possible, the Director may solicit a contract or contracts whereby a solvent company or companies will agree to assume in whole, or in part, or upon a modified basis, the liabilities owing to said former policyholders or creditors...If, after a full hearing upon a petition filed by the Director, the court shall find that the Director endeavored to obtain the best contract for the benefit of said parties in interest, and if the said Director shall report to the court that he is ready and willing to enter into a contract and submit a copy thereof to the court, the court shall examine the procedure and acts of the Director, and if the court shall find that the best possible contract in the interests of said parties has been obtained and that it is best for the interests of said parties that said contract be entered into, the court shall by written order approve the acts of the director and authorize him to execute said contract. 215 ILCS 5/193(4)

4. Prior to receivership, Midland and Student Plans were parties to an agreement with Markel Insurance Company (“Markel”) whereby Markel acquired Midland’s and Student Plans’ opportunity to quote and offer renewals on a certain book of the Companies’ business and Markel is to pay Midland and Student Plans 7.5% of the net renewal premium.¹ Pursuant to that agreement, Markel has already renewed approximately \$3.1 million in premium since April 15, 2005.

5. Under the terms of Paragraph I of the Agreed Order of Rehabilitation, the in-force insurance coverage sold and/or underwritten by Midland, Student Plans and/or Security Ltd. with respect to the College Plan, Student Plan K-12 and Special Risks programs are cancelled effective September 1, 2005 at 12:01 a.m. The Rehabilitator and Markel recently negotiated an assumption agreement whereby Markel would assume all liabilities that occur on or after

¹ Student Plans issued and/or wrote business in combination with the Companies’ affiliated division, American Youth.

September 1, 2005 on the remaining in-force policies issued and/or written by the Companies with respect to those programs so that there will be continuous coverage. In consideration of this assumption, the Rehabilitator will transfer the related unearned premium to Markel and forego the renewal fee with regard to the assumed business. *See Exhibit A*, a copy of the assumption agreement.

6. The Rehabilitator has negotiated the assumption agreement in good faith and in the best interests of the policy and certificate holders of Midland, Student Plans and Security Ltd. Markel is rated A (Excellent) by A.M. Best Company, and has already obtained and renewed approximately \$3.1 million in premium previously written by the Companies. Further, Markel's assumption of the liabilities under the assumption agreement commences on September 1, 2005, the date on which all in-force policies are to cancel pursuant to the Agreed Order of Rehabilitation, and therefore the policy and certificate holders will not suffer any lapse in insurance coverage. Finally, Markel will assume these liabilities at no additional cost to the policy or certificate holders. The Rehabilitator avers that he is ready and willing to enter into the assumption agreement with Markel.

WHEREFORE, for the foregoing reasons, Michael T. McRaith, Director of Insurance of the State of Illinois, as statutory and court-affirmed Rehabilitator of Midland Insurance Group, Inc., Student Plans, Inc. and Security Insurance Company, Ltd., requests that this Court enter an Order, pursuant to 215 ILCS 5/192(2) and 5/193(4), approving the assumption agreement

between Markel Insurance Company and the Rehabilitator in accordance with the terms set forth therein, and authorizing the Rehabilitator to take all steps necessary to effectuate the same.

Respectfully submitted,

Michael T. McRaith,
Director of Insurance of the State of Illinois,
as Rehabilitator of Midland Insurance
Group, Inc., Student Plans, Inc. and Security
Insurance Company, Ltd.

By: 

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