

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

IN THE MATTER OF THE LIQUIDATION )  
OF AAI SYNDICATE #1 LTD. ) No. 99 CH 01639

**ORDER FIXING  
RIGHTS AND LIABILITIES AND  
PROVIDING FOR THE FILING OF CLAIMS  
AND THE SETTING OF CLAIM FILING DEADLINES**

**ENTERED**  
MAR 17 1999  
JUDGE  
RONALD C. RILEY-0271

THIS CAUSE COMING ON TO BE HEARD upon the Petition of NATHANIEL S. SHAPO, Director of Insurance of the State of Illinois, in his capacity as the statutory and court-affirmed Liquidator (the "Liquidator") of AAI Syndicate #1 Ltd. ("AAI Syndicate") for the entry of an order fixing rights and liabilities and providing for the filing of claims and the setting of claim filing deadlines; due notice having been given; the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having reviewed the petition filed herein and having heard the arguments of counsel thereon, and the Court being otherwise advised in the premises:

**THE COURT FINDS:**

1. That on February 9, 1999, this Court entered an Order of Liquidation With a Finding of Insolvency ("Order of Liquidation") as to and against AAI Syndicate pursuant to Section 188 of the Illinois Insurance Code (the "Code"), 215 ILCS 5/188. The Order of Liquidation appointed the Director of Insurance, and his successors in office, as Liquidator of AAI Syndicate and authorized him to take such action as the nature of the cause and the interests of AAI Syndicate, its policyholders, creditors and stockholders, or the public, may require.

2. That the Order of Liquidation further provided, inter alia, that the rights and liabilities of AAI Syndicate, and of its policyholders, creditors and stockholders, and of all other persons interested in AAI Syndicate's property or assets were fixed, as follows:

L. That the rights and liabilities of AAI Syndicate, and of its policyholders, creditors and stockholders, and of all other persons interested in AAI Syndicate's property or assets are hereby fixed as of the date of the entry of this Order of Liquidation, in accordance with 215 ILCS 5/194, except as provided in Paragraph (M) herein, or as may otherwise be provided by further order of this Court;

M. That all direct policies and/or certificates of insurance heretofore issued by AAI Syndicate are hereby canceled upon the following terms:

1. All direct policies and/or certificates of insurance which may give rise to "covered claims" of the INEX Insurance Exchange Guaranty Fund, as defined in Section 15 of the INEX Insurance Exchange Regulations, are hereby canceled on the earliest of:

- (a) At 12.01 a.m., local time of the insured or policyholder of any such direct policy and/or certificate of insurance, thirty-one (31) days after the date of the date of the entry of this Order of Liquidation; or
  - (b) Upon the expiration date of any such direct policy and/or certificate of insurance, if the expiration date is less than thirty-one (31) days after the entry of this Order of Liquidation; or
  - (c) Upon the date the insured, policyholder and/or certificate holder of any such direct policy and/or certificate of insurance replaces the direct policy and/or certificate of insurance, or on request effects cancellation thereof, if the insured, policyholder and/or certificate holder does so within thirty-one (31) days after the date of the entry of this Order of Liquidation.
2. All other direct policies and/or certificates of insurance issued by AAI Syndicate are hereby canceled effective upon the entry of this Order of Liquidation.

3. That, pursuant to Section 209(5) of the Code, 215 ILCS 5/209(5), the obligation of AAI Syndicate, if any, to defend or continue the defense of any claim or suit under a liability insurance policy was terminated upon the entry of the Order of Liquidation.

4. That AAI Syndicate's assets are insufficient to satisfy its outstanding and unpaid insurance obligations thereby justifying the implementation of the protection of the INEX Insurance Exchange Guaranty Fund and the provisions of Section 15 of the INEX Insurance Exchange Regulation, effective upon the date of the entry of the Order of Liquidation.

5. That Section 208 of the Code, 215 ILCS 5/208, provides, *inter alia*, for the filing of claims against an insurer which has been ordered into liquidation proceedings, and requires the Director to notify all persons who may have such claims as to the procedures and applicable deadlines relating to the filing of claims.

6. That, pursuant to Section 107.26(b) of the Code, 215 ILCS 5/107.26(b), the Immediate Access Security Association (the "Association") is to, upon the entry of an Order of Liquidation, establish a claims date by which time all persons having claims arising out of insurance obligations of the subject syndicate must file their claims with the Association.

7. That the Liquidator and the Association have determined that a number of persons, companies and entities have, claim to have, or may have, claims against AAI Syndicate, its insureds or policyholders, and/or AAI Syndicate's property or assets.

8. That, pursuant to Sections 107.26 and 208 of the Code, 215 ILCS 5/107.26 and 5/208, both the Liquidator and the Association have similar and somewhat overlapping duties in regards to the notification to potential claimants of the procedures and applicable deadlines for the filing of claims against AAI Syndicate, its insureds or policyholders, and/or AAI Syndicate's property or assets.

9. That, in order to efficiently provide proper notice to potential claimants against AAI Syndicate, and to ensure that the statutory duties of the Liquidator and the Association are effectively performed, the Liquidator and the Association have determined it prudent to cooperate in performing certain administrative activities. In furtherance of this decision, the Association, pursuant to the authority granted to it by Section 107.26(c), has agreed to delegate to the Liquidator certain of the Association's duties under Section 107.26, and the Liquidator has agreed to perform such duties, as set forth in the Liquidator's instant Petition.

10. That the Liquidator and the Association have further determined that, in order to effectively and promptly administer the affairs and assets of AAI Syndicate and to protect the interests of AAI Syndicate's policyholders, creditors and stockholders, and of the public, it is necessary that this order be entered pursuant to Sections 107.26, 194, 208, and 209 of the Code, 215 ILCS 5/107.26, 5/194, 5/208 and 5/209, fixing the rights and liabilities of AAI Syndicate and of its policyholders, creditors and stockholders, and all other persons interested in AAI Syndicate's property or assets; establishing a procedure for the filing of proofs of claim against the assets of AAI Syndicate in order that such claims, if meritorious, may share in any distribution of estate assets; setting a deadline for the filing of any such proofs of claim; and fixing the last date by which evidence supporting the liquidation of timely filed contingent claims must be submitted to, and received by, the Liquidator.

**IT IS, THEREFORE, HEREBY ORDERED:**

A. That the rights and liabilities of AAI Syndicate and its policyholders, creditors and stockholders, and all other persons interested in AAI Syndicate's property or assets are fixed, pursuant to the terms of the Order of Liquidation, Section 194 of the Code, 215 ILCS 5/194, and Section 107.26 of the Code, 215 ILCS 5/107.26, as of February 9, 1999; except to the extent that direct policies and/or certificates of insurance were terminated subsequent to February 9, 1999, pursuant to Paragraph (M) of the Order of Liquidation; or to the extent that persons are entitled to file contingent claims as hereinafter set forth, or unless otherwise provided by subsequent order of this Court.

B. That the Liquidator and the Association are hereby directed to notify all persons, companies and entities, as hereinafter set forth in Paragraphs (C) and (D), which AAI Syndicate's books and records reveal have, or may have, claims against AAI Syndicate, its property or assets, or against an AAI Syndicate insured or policyholder, that all such claims must be presented to and filed with the Liquidator, or a duly authorized Ancillary Receiver of AAI Syndicate, in the form of a proper proof of claim as hereinafter set forth, on or before February 9, 2000 at 4:30 p.m. (C.S.T.). Said notice by the Liquidator and the Association shall specify February 9, 2000 at 4:30 p.m. (C.S.T.) to be the last day by which any such proof of claim may be received by the Liquidator, or a duly authorized Ancillary Receiver of AAI Syndicate, for the purposes of participating in any distribution of assets that may be made on timely filed claims which are allowed in these proceedings.

C. That a joint notice of the claim filing procedures and claim filing deadlines from the Liquidator and the Association shall be served upon those persons, companies and entities which AAI Syndicate's books and records reveal have, or may have, claims against AAI Syndicate, its property or assets, or against an AAI Syndicate insured or policyholder, by the Liquidator depositing a copy of said notice, together with a proof of claim form, in the United States mail, enclosed in an envelope, with first class postage prepaid, addressed to each such person, company or entity at his, her or its last known address as disclosed by AAI Syndicate's books and records.

D. That the Liquidator is hereby directed to also provide notice by publication to all persons, companies or entities who have, or may have, claims against AAI Syndicate, its property or assets, or against an AAI Syndicate insured or policyholder, by causing a notice to be published at least once each week for three consecutive weeks in a newspaper of general circulation published in the County of Cook, State of Illinois, and in such other newspaper(s) and/or publication(s) as the Liquidator may deem advisable. That the notice so published shall: (a) advise all such persons, companies and entities of their right to present their claim or claims against AAI Syndicate, its property or assets, or against an AAI Syndicate insured or policyholder, to the Liquidator; (b) advise all such persons, companies and entities of the procedure by which they may present their claims to the Liquidator; (c) advise all such persons, companies and entities of the location of the Liquidator's office where they may present their claim or claims; and (d) specifying the last day by which proofs of claims may be received by the Liquidator for purposes of participating in any distribution of assets that may be made on timely filed claims allowed in these proceedings.

E. That all persons, companies or entities having, or claiming to have, any accounts, debts, claims or demands against AAI Syndicate, its property or assets, or against an AAI Syndicate insured or policyholder, are hereby directed to present their claims to the Liquidator at his office, as designated in the above described notice, on or before the claim filing deadline set forth in Paragraph (B) above, by way of a properly completed proof of claim. Further, that a proper proof of claim must consist of a written statement, under oath, signed by the claimant,

setting forth a specific claim, the consideration therefore, and whether any, and if so what, payments have been made thereon, and that the sum so claimed is justly owing from AAI Syndicate to the claimant. Furthermore, that whenever a claim is founded upon an instrument in writing, such instrument, unless lost or destroyed, shall be filed with the proof of claim and, if such instrument is lost or destroyed, a statement of such fact and the circumstances of such loss or destruction shall be filed under oath with the claim.

F. That, pursuant to Section 209(4) of the Code, 215 ILCS 5/209(4), any insured under an insurance policy issued by AAI Syndicate shall have the right to present the Liquidator with a proof of claim setting forth a contingent claim, subject to the claim filing deadline set forth in Paragraph (B) above. Further, that the final date by which evidence supporting the liquidation of any such contingent claim may be received by the Liquidator shall be February 9, 2001 at 4:30 p.m. (C.S.T.); and that no such contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made at the fourth priority level [215 ILCS 5/205(1)(d)] unless such claim has been liquidated and the insured claimant has presented evidence of payment of such claim to the Liquidator on or before February 9, 2001 at 4:30 p.m. (C.S.T.). Furthermore, that any contingent claim for which a proof of claim was received by the claim filing deadline set forth in Paragraph (B) above, but which is not liquidated by February 9, 2001, may be estimated pursuant to Section 209(4)(b) of the Code, 215 ILCS 5/209(4)(b), for the purposes of participating in any distribution of estate assets that may be made at the fifth priority level [215 ILCS 5/205 (1)(e)], unless this Court has issued an order pursuant to 215 ILCS 5/209(12)

relieving the Liquidator of his responsibility to review the unliquidated contingent claims based upon the Liquidator's report to the Court that the assets of the estate will not be sufficient to pay claims at the fifth priority level [215 ILCS 5/205(1)(e)].

G. That, pursuant to Section 209(5) of the Code, 215 ILCS 5/209(5), which provides that the obligation of AAI Syndicate, if any, to defend or continue the defense of any claim or suit under a liability insurance policy was terminated upon the entry of the Order of Liquidation, an insured of AAI Syndicate may include in their contingent claims reasonable attorneys fees for services rendered subsequent to the entry of the Order of Liquidation in the defense of claims or suits covered by the insured's liability insurance policy, provided that all such attorneys fees have actually been paid by the insured and evidence of such payment has been presented in the manner required for the liquidation of an insured's contingent claim as set forth in Paragraph (F) above.

H. That any person, company or entity having a cause of action against an AAI Syndicate insured under an insurance policy issued by AAI Syndicate, whose claim was a contingent claim as of the entry of the Order of Liquidation, may file its claim as set forth in Paragraph (B) above, and such claim may be allowed: (a) if it may be reasonably inferred from the proof presented upon the claim that the claimant would be able to obtain a judgment upon the cause of action against such insured; (b) if such person, company or entity has furnished suitable proof, unless this Court for good cause shown shall otherwise direct, that no further valid claims against AAI Syndicate arising out of the cause of action other than those already presented can be

made; and (c) if the total liability of AAI Syndicate to all claimants arising out of the same act shall be no greater than its total liability would be were it not in liquidation.

I. That, subject to the provisions for the late filing of claims contained in Section 208(2) and 208(3) of the Code, 215 ILCS 5/208(2)-(3), no person having or claiming to have any claim or claims against AAI Syndicate shall participate in any distribution of the assets of AAI Syndicate unless such claims are filed or presented in accordance with, and within the time limits established by, this Order.

J. That the Liquidator is hereby directed, pursuant to Sections 107.26 and 209 of the Code, 215 ILCS 5/107.26 and 5/209, and subject to the further order of this Court, to examine and investigate any and all properly filed proofs claim and to submit his recommendations as to the allowance or disallowance, in whole or in part, of each such claim to this Court, unless it is reported to the Court that the assets of the estate will not be sufficient to pay claims at a certain level of priority under 215 ILCS 5/205, and this Court therefore exempts the Liquidator pursuant to 215 ILCS 5/209(12) from evaluation or adjudication of any claims at the designated level of priority. Further, that upon the filing of such report on claims recommendations pursuant to 215 ILCS 5/209(13), and any hearing on any objections thereto, this Court shall thereupon take further action as justice may require.

K. That the Liquidator shall not pay the claims of any creditors, policyholders, insureds or other claimants of AAI Syndicate required to file proofs of claim until the deadlines for the timely presentment of proofs of claim to the Liquidator and the submission of evidence for the liquidation of insureds' contingent claims have both passed, and the Liquidator has estimated all unliquidated contingent claims, or this Court has entered an order pursuant to 215 ILCS 5/209(12) as set forth in Paragraph (F) herein, and all such claims have been allowed or disallowed, in whole or in part, by order of this Court, unless payment of such claims is hereafter authorized or approved by this Court.

L. That the activities to be performed by the Liquidator, upon delegation of authority from the Association, are hereby approved and are further deemed to satisfy the duties of the Association under Section 107.26 of the Code, 215 ILCS 5/107.26, as follows:

(a) The general claim filing deadline of February 9, 2000, shall also apply to those claims subject to evaluation by the Association for purposes of Section 107.26 of the Code.

(b) The mailing by the Liquidator of a notice of the claim filing deadline and of the claim filing procedures applicable to claims potentially within the authority of the Association, such notices being prepared by the Association in cooperation with the Liquidator, to those persons, companies and entities which AAI Syndicate's books and

records reveal have, or may have, claims against AAI Syndicate potentially subject to evaluation by the Association, shall satisfy the requirement for notice to potential claimants by the Association under Section 107.26 of the Code.

(c) Receipt by the Liquidator of claims filed by persons, companies and entities that may have claims against AAI Syndicate potentially subject to evaluation by the Association, will constitute effective filing of such claims for purposes of Section 107.26 of the Code.

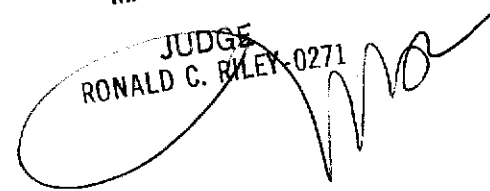
ENTERED:

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Judge Presiding

**ENTERED**

MAR 17 1999

JUDGE  
RONALD C. RILEY 0271



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