

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

PEOPLE OF THE STATE OF ILLINOIS, ex rel.
NATHANIEL S. SHAPO, DIRECTOR OF
INSURANCE OF THE STATE OF ILLINOIS,

Plaintiffs,

v.

AAI SYNDICATE #1 LTD.,
an Illinois Domestic Stock Corporation
and Syndicate on the INEX Insurance Exchange

Defendant.

NO: 99 CH 01639

**AGREED ORDER OF LIQUIDATION
WITH A FINDING OF INSOLVENCY**

THIS CAUSE COMING ON TO BE HEARD upon the Verified Complaint For Liquidation, filed herein by the PEOPLE OF THE STATE OF ILLINOIS, on the relation of NATHANIEL S. SHAPO, Director of Insurance of the State of Illinois, seeking an order authorizing and directing the Director to take possession and control of the property, books, records, accounts, assets, business and affairs of AAI SYNDICATE #1 LTD., and to liquidate its assets pursuant to the provisions of Article XIII of the Illinois Insurance Code (hereinafter the "Code"), 215 ILCS 5/187, et seq. (1998) and, further, to protect the interests of AAI Syndicate #1 Ltd.'s policyholders and creditors, and of the public; 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. That the Relator, Nathaniel S. Shapo, is the Director of Insurance of the State of Illinois (hereinafter "Director") and, as such, is charged under 215 ILCS 5/401 and 20 ILCS 1405/56 with the rights, powers and duties appertaining to the enforcement and execution of all of the insurance laws of the State of Illinois.

2. That the Defendant, AAI Syndicate #1 Ltd. (hereinafter "AAI Syndicate"), is a syndicate on the INEX Insurance Exchange, organized under and existing by virtue of the laws of the State of Illinois, having its principal place of business in the City of Chicago, County of Cook, State of Illinois. Further, that AAI Syndicate is a domestic company as defined by 215 ILCS 5/2(f).

3. That, pursuant to Section 190 of the Code, 215 ILCS 5/190, the facts stated in the Complaint and the Exhibit(s) thereto are to be taken as prima facie evidence of the facts therein recited, and no evidence to the contrary having been offered, the Court finds therefrom as follows:

(a) That for the reasons stated in the record herein, sufficient cause exists under Section 188 of the Code, 215 ILCS 5/188, for the entry of an order of liquidation against the Defendant, AAI Syndicate, based upon, without limitation, the following facts and circumstances:

- (i) That the Defendant, AAI Syndicate, is insolvent;
- (ii) That the Defendant, AAI Syndicate, is found to be in such condition that its further transaction of business would be hazardous to its policyholders, its creditors, and to the public;
- (iii) That the Defendant, AAI Syndicate, is impaired and is found to be in such condition that it cannot meet the requirements for organization and authorization as required by the laws of the State of Illinois and the Regulations of the INEX Insurance Exchange; and
- (iv) That the Defendant, AAI Syndicate, has consented by a majority of its directors to the entry of this Order of Liquidation With a Finding of Insolvency.

(b) That the Director has determined that a successful rehabilitation of AAI Syndicate is not feasible.

(c) That it is in the best interest of the Defendant, AAI Syndicate, its policyholders, creditors and stockholders, and of the public, that AAI Syndicate be placed into liquidation in accordance with the provisions of Article XIII of the Code, 215 ILCS 5/187, et seq.

(d) 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 Regulations, effective upon the date of the entry of this Order.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED:

A. That sufficient cause exists for the entry of an order for the liquidation of the Defendant, AAI Syndicate, and that this Order of Liquidation be and the same is hereby entered as to and against AAI Syndicate #1 Ltd., with a finding of insolvency;

B. That Nathaniel S. Shapo, Director of Insurance of the State of Illinois, and his successors in office, be and the same is hereby appointed as Liquidator of the Defendant, AAI Syndicate (hereinafter "Director" or "Liquidator"), and is hereby authorized and directed to take immediate possession and control of the property, books, records, accounts, business and affairs, and all other assets of AAI Syndicate, and of the premises occupied by AAI Syndicate for the transaction of its business, and to marshal and liquidate the assets, business and affairs of AAI

Syndicate pursuant to the provisions of Article XIII of the Illinois Insurance Code, *supra*; and that the Director, as Liquidator, is authorized to take such further action as the nature of the cause and the interests of AAI Syndicate, its policyholders, creditors and stockholders, or the public may require, subject to the further orders of this Court; further, that the Director is hereby vested, as Liquidator, with title to all property, assets, contracts and rights of action of AAI Syndicate, and that he is hereby authorized to deal with the property, assets, business and affairs of AAI Syndicate, and to sue and defend for AAI Syndicate, or for the benefit of AAI Syndicate's policyholders and creditors, in the courts in his name as the Liquidator of AAI Syndicate, or in the name of AAI Syndicate;

C. That the Defendant, AAI Syndicate, its directors, officers, trustees, agents, servants, representatives, employees and affiliated companies, and all other persons and entities, are hereby ordered and directed to give immediate possession and control to the Liquidator of all property, books, records, accounts, and all other assets of the Defendant, AAI Syndicate, and of any and all premises occupied by the Defendant, AAI Syndicate, for the transaction of its business;

D. That all agents, accountants, auditors and attorneys of the Defendant, AAI Syndicate, are hereby ordered to release and deliver to the Liquidator all documents, records and files in their possession or under their control concerning or relating to the Defendant, AAI Syndicate, in accordance with 215 ILCS 5/191, and to provide the Liquidator with such

information as he may require concerning any and all business and/or professional relationships between them and the Defendant, AAI Syndicate, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of AAI Syndicate, or AAI Syndicate's officers, directors, agents, servants, representatives and/or employees, or which AAI Syndicate is, or may be, entitled to as the result of its relationship with such agents, accountants, auditors and/or attorneys;

E. That the Defendant, AAI Syndicate, its directors, officers, agents, employees, representatives and servants, and all other persons and entities, are hereby restrained and enjoined from further transacting the business of AAI Syndicate, or dealing with, or disposing of, the property or assets of AAI Syndicate, 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 the property or assets of AAI Syndicate, until further order of this Court;

F. That all banks, brokerage houses, financial institutions and all other persons, companies or entities, having in their possession accounts or any other assets which are, or may be, the property of the Defendant, AAI Syndicate, including but not limited to, any trust or custodial account(s) or any certificate(s) of guaranty or any other bank obligation(s) heretofore established and maintained pursuant to 215 ILCS 5/107.27 and/or INEX Insurance Exchange Regulations, are hereby ordered and directed to immediately turn over and deliver possession and control of all such accounts and assets to the Liquidator; and said banks, brokerage houses,

financial institutions and all other persons, companies and entities are hereby restrained and enjoined from disbursing or disposing of said accounts or assets; and all such persons, companies and entities are further enjoined and restrained from disposing of, or destroying, any records pertaining to any business transactions between the Defendant, AAI Syndicate, and all such banks, brokerage houses, financial institutions and any other persons, companies or entities having done business, or doing business, with the Defendant, AAI Syndicate, without the express consent of the Liquidator, or until further order of this Court;

G. That all agents and brokers of the Defendant, AAI Syndicate, and their respective agents, employees, representatives and servants, and all other persons and entities, are hereby restrained and enjoined from returning any premium, earned or unearned, or any other money in their possession, or under their control, collected in connection with policies, contracts, certificates or treaties of insurance or reinsurance, previously issued, or to be issued, by AAI Syndicate to policyholders or others, and said agents and brokers, and their respective agents, employees, representatives and servants, and all other persons and entities, are hereby ordered and directed to immediately 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;

H. That all persons, companies and entities are hereby restrained and enjoined from bringing, asserting or further prosecuting any claim, action or proceeding, at law or in equity or otherwise, whether in this State or elsewhere, against the Defendant, AAI Syndicate, 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; from obtaining, asserting or enforcing preferences, judgments, attachments or other like liens or encumbrances, including common law retaining liens, or the making of any levy against the Defendant, AAI Syndicate, or its property and assets while in the possession and control of the Liquidator; from interfering, in any way, with the Liquidator's conduct of the liquidation of AAI Syndicate; and from interfering, in any way, with the Liquidator in his right, title and interest to, and possession and control of, the property, books, records, accounts, premises and all other assets of the Defendant, AAI Syndicate, until further order of this Court;

I. That all persons, companies and entities, including policyholders of AAI Syndicate, and all persons asserting claims against such policyholders, are hereby restrained and enjoined from instituting or pursuing any action or proceeding in any court or before any administrative agency, including boards and commissions administering worker's compensation or occupational diseases or similar laws of the State of Illinois, or of any other state, or of the United States, which seek in any way, directly or indirectly, to contest or interfere with the Director's exclusive right, title and interest to funds recoverable under treaties and agreements of reinsurance heretofore entered into by or on behalf of AAI Syndicate as the ceding insurer;

J. That the Director, as Liquidator, is hereby vested with the rights, title and interest in all funds recoverable under treaties, contracts and agreements of reinsurance heretofore entered into by or on behalf of AAI Syndicate as the ceding insurer, and that all reinsurance companies involved with AAI Syndicate, are hereby restrained and enjoined from making any settlements with any claimant or policyholder of AAI Syndicate, or any other person other than the Director as Liquidator, except with the written consent of the Director;

K. That all contracts, treaties and agreements of reinsurance wherein AAI Syndicate was, or is, the assuming or retrocessional reinsurer are hereby canceled on a "cut off" basis, effective upon the date of the entry of this Order of Liquidation; and further, that all other treaties, contracts and agreements of reinsurance, wherein AAI Syndicate is the ceding company, shall remain in full force and effect pending a determination and recommendation by the Liquidator as to when, and upon what terms, cancellation is appropriate;

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 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 date of 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 date of the entry of this Order of Liquidation.

N. That the obligation of AAI Syndicate, if any, to defend or continue the defense of any claim or suit under a liability policy is hereby terminated, effective upon the date of the entry of this Order of Liquidation, in accordance with Section 209(5) of the Code, 215 ILCS 5/209(5);

O. That this Order of Liquidation With a Finding of Insolvency is hereby deemed a final order within the meaning of Illinois Supreme Court Rule 307(a)(5), and that there be no just reason for delaying enforcement and/or appeal hereof;

P. That the Director, as Liquidator, is hereby directed and authorized to wind down and terminate AAI Syndicate's business and affairs, and to make the continued expenditure of such wages, rents and expenses as he may deem necessary and proper for administration of the liquidation of AAI Syndicate;

Q. That the Director, as Liquidator, is hereby directed to make periodic reports to this Court regarding the status of AAI Syndicate while in liquidation, and the Director, as Liquidator, is further directed to file with this Court, for its consideration, periodic reports of the Liquidator's receipts and disbursements of AAI Syndicate, in accordance with Section 202 of the Code, 215 ILCS 5/202;

R. That the Director, as Liquidator, is hereby authorized to pay from the assets of the Defendant, AAI Syndicate, those expenses incurred during the course of the liquidation of AAI Syndicate, including but not limited to, attorneys' fees, accounting fees and consulting fees, as administrative expenses, pursuant to and in a manner consistent with the provisions of Section 202 of the Code, 215 ILCS 5/202;

S. That the Director, as Liquidator, is hereby authorized to sell, at a reasonable price, any real or personal property of AAI Syndicate having a market value of the amount of Twenty Five Thousand Dollars (\$25,000.00), or less, without the prior approval of this Court; and the Director, as Liquidator, is hereby authorized to abandon or dispose of any items of personal property of AAI Syndicate having no sale value whatsoever, without the prior approval of this Court; and that any such sale of the real or personal property of AAI Syndicate shall be reported by the Liquidator to this Court in his periodic reports of the receipts and disbursements of AAI Syndicate;

T. That all costs of these proceedings are hereby taxed and assessed against the Defendant, AAI Syndicate;

U. That the caption in this cause and all pleadings filed in this matter shall hereafter read:

**IN THE MATTER OF THE LIQUIDATION
OF AAI SYNDICATE #1 LTD."**

V. That this Court's February 2, 1999 Order of Conservation, entered as to and against AAI Syndicate, and the conservation proceedings arising therefrom, be and the same are hereby terminated, effective upon the entry of this Order of Liquidation; and

W. That this Court shall retain jurisdiction in this cause for the purpose of granting such other and further relief as the nature of the cause and the interests of the Defendant, AAI Syndicate, its policyholders, creditors and stockholders, or of the public, may require; and/or as this Court may deem proper in the premises.

ENTERED:

ENTERED

FEB 09 1999

JUDGE

RONALD C. RILEY-0271

James E. Ryan
Attorney General of Illinois
Attorney for the PEOPLE OF
THE STATE OF ILLINOIS

Judge Presiding

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STATE OF ILLINOIS,
COUNTY OF COOK

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SS.

I, AURELIA PUCINSKI, Clerk of the Circuit Court of Cook County, in and for the State of Illinois, and the keeper of the records, files and seal thereof, do hereby certify the above and foregoing to be true, perfect and complete COPY OF A CERTAIN JUDGMENT MADE AND ENTERED OF RECORD IN SAID COURT:

AGREED ORDER OF LIQUIDATION WITH A FINDING OF INSOLVENCY

in a certain cause lately pending in said Court, between PEOPLE OF THE STATE OF ILLINOIS, ex rel.

NATHANIEL S. SHAPO, DIRECTOR OF INSURANCE OF THE STATE OF ILLINOIS

plaintiff/~~XXXXXXXX~~

AAI SYNDICATE #1 LTD.

XXXXXXXXXX
defendant/respondent.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed

the seal of said Court, in said County, this 9TH

day of FEBRUARY, 1999

Aurelia Pucinski Clerk