

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

PEOPLE OF THE STATE OF ILLINOIS, ex rel.)
JOHN E. WASHBURN, DIRECTOR OF INSURANCE OF)
THE STATE OF ILLINOIS,)
Plaintiffs,)
v.)
CENTAUR INSURANCE COMPANY, an Illinois)
domestic stock property, casualty and fire)
company,)
Defendant.)

87CH:8615

NO.

AGREED ORDER OF REHABILITATION

THIS CAUSE coming on to be heard by this Court upon the Verified Complaint for an Order directing John E. Washburn, Director of Insurance of the State of Illinois ("Director"), to take possession and control of the property, business and affairs of Centaur Insurance Company ("Centaur" or the "Company"), and to rehabilitate Centaur pursuant to the provisions of Article XIII of the Illinois Insurance Code (Ill. Rev. Stat. 1985, Ch. 73, Para. 799, et seq.); the Court having jurisdiction of the parties hereto and of the subject matter hereof; the Court having reviewed the pleadings filed herein and having considered arguments of counsel thereon, and then being fully advised in the premises, and good cause appearing therefore;

THE COURT FINDS:

1. By his Complaint, the Director of the Illinois Department of Insurance seeks an Order of Rehabilitation against the Defendant, Centaur pursuant to Section 188 of the Illinois Insurance Code (Ill. Rev. Stat., 1985, Ch. 73, Para. 800). In his Complaint, the Director alleges that sufficient cause exists

under Section 188 of the Illinois Insurance Code for the entry of an Order of Rehabilitation against Centaur, including, without limitation, the following facts and circumstances:

- (i) A majority of the Board of Directors of Centaur, has consented to such Order.
- (ii) Centaur is in such condition that the further transaction of its business may be hazardous to its policyholders, its creditors and to the public.

2. On the 4th day of September, 1987, the Board of Directors of Centaur enacted a valid corporate resolution consenting to the entry of an Order by this Honorable Court for the Rehabilitation of Centaur pursuant to Article XIII of the Illinois Insurance Code (Ill. Rev. Stat., 1985, Ch. 73, Para. 799 et seq.). A certified copy of the resolution of the Board of Directors of Centaur has been delivered to the Director and a copy was attached as Exhibit "A" to the Director's Complaint.

3. By its stipulation and consent to the entry of this Agreed Order, Centaur has admitted the allegations contained in the Verified Complaint for Rehabilitation filed in this cause and has consented to personal and subject matter jurisdiction and venue by this Court.

4. Centaur has not demonstrated any grounds upon which this Court can conclude that such consent was invalid when given or should not be binding upon Centaur, its directors, officers, agents, servants and employees and their successors, now and such consent is, therefore, binding upon Centaur, its directors, officers, agents, servants and employees and their successors.

5. That it is in the best interest of Centaur, that policyholders, reinsureds, stockholders and creditors and of the public that it be placed into Rehabilitation in accordance with the provisions of Article XIII of the Illinois Insurance Code (Supra.).

6. That the Company has represented to the Director that it has had the liabilities of the Company analyzed and that it reasonably believes that it possesses sufficient assets to cover, on a "run-off" basis, all of its direct policyholder claims which have or may hereafter arise, as well as an appreciable amount of assets with which the Company can implement a program of commutation of its assumed reinsurance liabilities, including "IBNR" claims, on a present value basis, through the payment to each such commuting reinsured of Centaur of a certain sum of cash, upon a prorated basis with others similarity situated, and the issuance of a Surplus Debenture Note. That the Director has reviewed the projections of the Company relative to such a plan of commutation, reasonably believes the plan has merit in light of the circumstances of the Company and is entitled to further review in his preparation of a Plan of Rehabilitation of the Company.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

A. That sufficient cause exists for the Rehabilitation of the Defendant, Centaur; pursuant to Article XIII of the Illinois Insurance Code and that an Order of Rehabilitation be and the same is hereby entered against the Company.

B. John E. Washburn, Director of Insurance of the State of Illinois and his successors in office ("Director") be and they are hereby authorized and directed to immediately take possession and control of the property, assets, business and affairs of

Centaur, and to have unlimited access to the premises currently occupied by the Company, or as may hereafter be occupied by the Company, for the transaction of its business; the Director is hereby authorized to take such steps toward the removal of the causes and conditions that have made these proceedings necessary as may be expedient and the Director is hereby authorized to take such actions as the nature of this cause and interests of the policyholders, creditors and stockholders of Centaur, and the public, may require, subject to further Order of this Court.

C. That the Director be and is hereby vested as Rehabilitator with title to all property, contracts, and rights of action of the Company and he is hereby authorized to deal with the property, business and affairs of the Company and to sue and defend for the Company, or for the benefit of the Company policyholders, shareholders and creditors in the courts and tribunals, agencies or arbitration panels of this state and other states in his name as Director of Insurance of the State of Illinois, or in the name of Centaur Insurance Company.

D. That the Director be and have all of the right, title and interest in and to all funds recoverable under treaties, contracts and agreements of reinsurance heretofore entered into by Centaur as the ceding insurer or as the assuming reinsurer, and the same are hereby enjoined and restrained from making any settlements with any claimant or policyholder other than the Director as Rehabilitator.

E. Centaur, its officers, agents, servants and employees and all other persons having notice of these proceedings or of this Order be and the same are hereby prohibited from transacting any business of Centaur or disposing of any property or assets of Centaur or any of its subsidiaries, or doing or permitting to be

done any action which may waste the property or assets of Centaur, without the prior written permission of the Director or until further Order of this Court.

F. All officers, agents and employees of Centaur, and all other persons and entities having notice of these proceedings or of this Order, be and the same (except as hereinafter provided) are hereby prohibited from instituting or further prosecuting any action at law or in equity or in other proceedings against Centaur, or the Director as Rehabilitator, or from obtaining preferences, judgments, attachments or other like liens or encumbrances, or the making of any levy against Centaur, or the property or assets of Centaur, while in the possession and control of the Director as Rehabilitator, or in any way interfering with the Director in his possession and control of the property, books, records and all other assets of Centaur.

G. All banks, brokerage houses, agents, reinsurers, or other companies or persons having in their possession assets, property or records that are or may be the property of Centaur be and the same are hereby enjoined from disposing of, transferring or destroying any such assets, property or records. This prohibition includes, but is not limited to, property, books or records pertaining to any business transaction between Centaur and any of said parties. No actions concerning, involving, or relating to such assets, property or records may be taken by any of the aforesaid persons or entities enumerated herein without the express written consent of the Director, or until further Order of this Court. All such persons and entities having in their possession assets that are, or may be, the property of Centaur be and are hereby directed to deliver the same to the Director upon his demand.

H. All agents and brokers of Centaur are hereby enjoined from returning to policyholders or to others any unearned premiums upon policies or contracts of insurance issued by Centaur, and said agents or brokers are directed to immediately turn over all such funds in their possession or under their control, or over which they may hereafter acquire, to the Director.

I. All persons be and are hereby enjoined and restrained from asserting any claim against the Director as Rehabilitator or The Company which arise out of or in connection with or as a result of these Rehabilitation proceedings of Centaur, except insofar as such claims are brought in the Rehabilitation proceedings of Centaur.

J. That all policies of insurance issued by Centaur be and the same are hereby cancelled effective 11:59 P.M., Central Standard Time, on September 30, 1987, or upon their renewal date, if earlier.

K. That all treaties, contracts and agreements of reinsurance wherein Centaur is the assuming or retrocessional reinsurer be and the same are hereby cancelled. That all treaties, contracts and agreements of reinsurance wherein Centaur is the ceding company be and shall remain in full force and effect pending further Order of this Court.

L. That leave be and is hereby granted to the Director to file a Plan of Rehabilitation of Centaur on or before September 30, 1987, such Plan to be subject to further Order of this Court.

M. That hereafter the caption of this cause and all pleadings in this matter shall read as:

IN THE MATTER OF THE REHABILITATION
OF CENTAUR INSURANCE COMPANY

N. The Director is hereby authorized to pay from the assets of Centaur, the administrative expenses incurred during the course of the Rehabilitation of Centaur, including but not limited to attorneys' fees, accounting fees, and consulting fees as administrative expenses under Section 202 of the Illinois Insurance Code (Ill. Rev. Stat., 1983, Ch. 73. Para. 814), and all such administrative expenses of the amount of less than One Thousand (\$1,000.00) Dollars are to be paid by the Rehabilitator and each such payment is to be reported by the Rehabilitator in his Reports to this Court of the Receipts and Disbursements of Centaur, and the payment of all such administrative expenses of the amount of One Thousand (\$1,000.00) Dollars, or more, are subject to the further approval of this Court.

O. The Director be and is hereby authorized to enter into agreements with duly authorized Ancillary Receivers of Centaur relating to the marshalling of the assets of Centaur as the Director may see fit, which such agreements may establish administrative accounts of the amount of Twenty five (\$25,000.00) Dollars in favor of each such Ancillary Receiver, and the Director shall report each such agreement and the establishment of each such administrative account to this Court in the Rehabilitator's Reports of the Receipts and Disbursements of Centaur.

P. This Court shall retain jurisdiction in this cause for the purpose of granting such other and further relief as this cause, the interests of the policyholders, reinsureds, creditors, and stockholders of Centaur and the public may require.

ENTER: September 4, 1987

Judge

ENTERED
SEP 4 1987
BRIEN

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