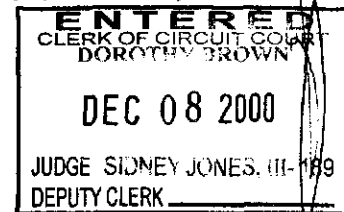


IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION OF)
CENTAUR INSURANCE COMPANY) No. 87 CH 8615

CENTAUR INSURANCE COMPANY
SECOND REVISED PLAN OF REHABILITATION

In accordance with the applicable provisions of Article XIII of the Illinois Insurance Code (215 ILCS 5/187 et seq.), the following Second Revised Plan of Rehabilitation ("Plan") shall govern the rehabilitation of Centaur Insurance Company ("Centaur") and shall supersede all prior plans of rehabilitation for Centaur:



Part A. Definitions

1.01 The following definitions apply in this Plan:

- a) "Rehabilitator" shall mean Nathaniel S. Shapo, Director of Insurance of the State of Illinois, and his successors in office, acting in and only in his capacity as Rehabilitator of Centaur.
- b) "Supervising Court" or "Supervising Judge" shall mean that judge of the Circuit Court of Cook County, Illinois, having jurisdiction over the rehabilitation proceedings of Centaur.
- c) "Liability Insurance Policy" shall mean those direct policies of insurance that Centaur issued in the course of its operation as an insurance company and which are defined in the Class 2 and Class 3 subdivisions of Section 4 of the Illinois Insurance Code (215 ILCS 5/4), and of which such definitions are incorporated herein.

Part B. Administration

2.01 All costs and expenses of the administration of the Rehabilitation of Centaur shall be paid by Centaur and thereafter reported to the Supervising Court by the Rehabilitator in his periodic reports of receipts and disbursements of Centaur.

- 2.02 The Rehabilitator shall marshal the assets of Centaur during the pendency of this Plan to provide a maximum distribution or distributions to the policyholders and creditors of Centaur. The Rehabilitator shall be empowered to compromise and settle all doubtful, disputed, or uncollectible debts or claims owing to Centaur upon such terms and conditions as he may consider prudent. All such debts and claims so compromised and settled by the Rehabilitator shall be reported to the Supervising Court in the Rehabilitator's periodic reports of receipts and disbursements of Centaur. The Rehabilitator shall have all power and authority conferred upon rehabilitators in accordance with the Illinois Insurance Code, including but not limited to all power and authority conferred pursuant to 215 ILCS 5/192 and 215 ILCS 5/202.
- 2.03 The Rehabilitator shall sell any asset owned by Centaur, including stocks and bonds, as he may, from time to time, find necessary with which to pay the costs and expenses of the administration of the rehabilitation of Centaur, to pay the compensation of his attorneys, actuaries, accountants, consultants, and other persons, and/or to pay claims as provided in this Plan, upon such terms and conditions as he may consider prudent, and shall report his sale of the same to the Supervising Court in his periodic reports of receipts and disbursements of Centaur.
- 2.04 During the pendency of this Plan, the Rehabilitator shall continue to review the condition of Centaur and shall report the same to the Supervising Court from time to time, along with the report of his activities under the Plan. Should the Rehabilitator determine that Centaur is no longer rehabilitatable or that it is in the best interests of the policyholders and creditors of Centaur to seek an Order of Liquidation of Centaur, he shall proceed in accordance with the applicable provisions of the Illinois Insurance Code concerning the liquidation of domestic companies, without prior notice to the policyholders or creditors of Centaur. Upon the entry of an Order of Liquidation as, to and against Centaur, this Plan shall immediately terminate.
- 2.05 During the pendency of this Plan, Centaur shall not issue or renew direct policies of insurance. During the pendency of this Plan, Centaur shall not issue or renew any treaty, agreement, contract or certificate of reinsurance wherein Centaur assumes any new or additional liabilities or obligations.
- 2.06 In accordance with 215 ILCS 5/209(5), the obligation of Centaur, if any, to defend or continue the defense or fund the defense of any claim or suit under a Liability Insurance Policy shall terminate upon the approval of this Plan by the Supervising Court. Insureds of Centaur under liability insurance policies may include in contingent claims reasonable attorneys' fees for services rendered subsequent subsequent to the date of approval of this Plan in defense of claims or suits covered by the insured's policy provided such attorneys' fees have actually been paid by the insured and

evidence of such payment is presented in the manner required for insured's contingent claims.

- 2.07 With respect to any joint defense agreement, cost sharing agreement, or other agreement calling for Centaur to participate in the cost of defending and/or settling claims against an insured under a Liability Insurance Policy, Centaur shall not be obligated to continue making payments thereunder.
- 2.08 The Agreed Order of Rehabilitation respecting Centaur dated on or about September 4, 1987, and the injunction provisions therein shall continue in effect.
- 2.09 For the avoidance of doubt, Parts C, D, and E of Centaur's Revised Plan of Rehabilitation are amended and replaced by this Plan.

Part C. Filing of Claims and Bar Dates

- 3.01 The rights and liabilities of Centaur and of its creditors, policyholders, stockholders, and all other persons interested in its assets, except persons entitled to file contingent claims, shall be fixed as of the date of entry of the order approving this Plan. The rights and liabilities of persons entitled to file contingent claims shall be governed by § 209 of the Code (215 ILCS 5/209).
- 3.02 All persons who may have claims against Centaur must file a proof of claim with the Rehabilitator no later than **March 30, 2001**. This requirement applies to all persons who may have claims against Centaur, regardless of whether such persons have previously notified claims to Centaur or the Rehabilitator; however, notwithstanding this provision, claims previously fixed or settled as to amount by the Rehabilitator remain fixed or settled in such manner for purposes of any future distribution of assets, and claimants having claims previously fixed or settled as to amount by the Rehabilitator need not file a proof of claim respecting such claims.
- 3.03 In accordance with 215 ILCS 5/208, the place for the filing of such claims against Centaur shall be as specified in the Notice for Filing of Claims ("Notice") approved by the Supervising Court. The Supervising Court shall also determine and fix the manner in which the Notice shall be provided by the Rehabilitator to persons who may have claims against Centaur, as disclosed by Centaur's books and records.
- 3.04 In accordance with 215 ILCS 5/209(4), the final date for the liquidation of contingent and/or unliquidated claims against Centaur is **October 1, 2001**.

- 3.05 The Rehabilitator shall review all claims duly filed in the rehabilitation, make such further investigation as he considers necessary, compound, compromise or in any other manner negotiate the amount for which claims will be recommended to the Supervising Court, and report his recommendations to the Supervising Court, in accordance with 215 ILCS 5/209. When the Rehabilitator denies a claim or allows a claim for less than the amount requested by the claimant, written notice of the determination and the claimant's right to object shall be governed by 215 ILCS 5/209(11).
- 3.06 Any distribution of assets of Centaur on allowed claims shall be as authorized by further order of the Supervising Court, in accordance with 215 ILCS 5/210.
- 3.07 Should an Order of Liquidation be entered as to or against Centaur at any time, this Plan shall immediately terminate upon such date of entry of such Order of Liquidation and such Order of Liquidation and the provisions of the Illinois Insurance Code and of other foreign state statutes related thereto shall prevail and be paramount to this Plan.

Part D. Reinsurance and Other Obligations

- 4.01 During the pendency of this Plan, the Rehabilitator may attempt the voluntary commutation of all treaties, contracts, agreements and certificates of reinsurance wherein Centaur ceded a portion of its liability to reinsurers or retrocessionaires, upon such terms and conditions as he may consider prudent and with the approval of the Supervising Court.

Part E. Ancillary States

- 5.01 This Plan does not replace nor supersede any of the provisions of Article XIII 1/2 of the Illinois Insurance Code (215 ILCS 5/221.1 et seq.) or of any similar law enacted by any sister state of Illinois which is a "Reciprocal State" to Illinois as defined in 215 ILCS 5/221.1(1).

Part F. Secured Parties and Special Deposit Claims

- 6.01 Secured cedents to, and secured creditors of, Centaur may surrender their security and participate pro-rata with the unsecured cedents to, or unsecured creditors of Centaur in any distributions, by Special Dividend or otherwise of Centaur's assets made by the Rehabilitator pursuant to this Plan subsequent to the date of such surrender. Should any secured cedent to, or secured creditor of, Centaur discharge any obligations owed to it by Centaur by resort to the security pursuant to the express terms of the contract between it and Centaur or the express terms of a security trust

agreement, or like document, contemplating such security, any deficiency in the security as respects the obligations of Centaur to such cedent under such reinsurance contract or to such creditor shall be subject to this Plan, including but not limited to Part C hereof.

- 6.02 In those cases where a Special Deposit has been posted by Centaur prior to the date of the entry of an Order of Rehabilitation against Centaur, with the Director of Insurance of any state, or his equivalent in such state, which Special Deposit is not returned to Centaur in full, or net of any administrative expense chargeable against such deposit by a duly constituted Ancillary Receiver of Centaur in such state, creditors of Centaur who have, or may, participate in any distribution of such Special Deposit made by the Ancillary Receiver or Director of Insurance of such state, or his equivalent, in accordance with the provisions of the respective state's statutes requiring the creation and maintenance of such Special Deposits and the distribution therefrom, and whose obligations owed to it by Centaur are not fully discharged by such distribution, shall be entitled to file claims for any such deficiency, in accordance with Part C of this Plan.

Part G. Preferences Under This Plan

- 7.01 Any and all actions taken, or not taken, by the Rehabilitator under this Plan shall not be construed to be, nor be considered, a preference within the meaning of Section 204 of the Illinois Insurance Code (215 ILCS 5/204) notwithstanding the fact that any such action, or inaction, by the Rehabilitator under this Plan has, or may have, the effect that a creditor or creditors or a cedent or cedents or a policyholder or claimant against a policyholder of Centaur receives a greater percentage of his, its or their debt owed to them by Centaur than any other creditor or creditors or cedent or cedents or policyholder or claimant against a policyholder of Centaur in the same class.

Respectfully submitted,

Nathaniel S. Shapo,
Director of Insurance of the State of Illinois,
as Rehabilitator of Centaur Insurance Company

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