

THE COURT FINDS:

1. That, by his Verified Complaint, the Director of Insurance of the State of Illinois seeks an Order of Conservation against the Defendants, Gallant and Valor, pursuant to Section 188.1 of the Code, 215 ILCS 5/188.1. By his Verified Complaint, the Director of Insurance of the State of Illinois alleges that sufficient cause exists under Section 188 of the Code, 215 ILCS 5/188, for the entry of an order of conservation, rehabilitation, and/or liquidation against the Defendants, Gallant and Valor, including, without limitation, the following facts and circumstances:

- (i) That the Defendants, Gallant and Valor, are insolvent; and
- (ii) That the Defendants, Gallant and Valor, are in such condition that their further transaction of business would be hazardous to their policyholders, creditors and to the public; and
- (iii) That the Defendants, Gallant and Valor, are impaired and are in such condition that they cannot meet the minimum requirements for organization and authorization as required by the laws of the State of Illinois.

2. That, in light of the foregoing facts and circumstances, sufficient cause exists for the entry of an order of conservation, rehabilitation, and/or liquidation against the Defendants, Gallant and Valor, and that it is in the best interests of Gallant's and Valor's policyholders and creditors, and of the general public, that an *ex parte* Order of Conservation be entered against the Defendants, Gallant and Valor, in accordance with the provisions of Article XIII of the Code, 215 ILCS 5/187, *et seq.*

IT IS, THEREFORE, HEREBY ORDERED:

A. That this Order of Conservation is hereby entered as to and against Gallant and Valor; and,

B. That Nathaniel S. Shapo, Director of Insurance of the State of Illinois, and his successors in office, is hereby affirmed as statutory Conservator ("Conservator") of the Defendants, Gallant and Valor, and is authorized and directed to immediately take possession and control of the property, books, records, accounts, business and affairs, and all other assets of the Defendants, Gallant and Valor, and of the premises currently occupied, or hereafter occupied,

by Gallant and Valor for the transaction of their business, pursuant to the provisions of Article XIII of the Code, 215 ILCS 5/187, *et seq.*, and to conserve the same for the benefit of the policyholders and creditors of Gallant and Valor, and of the public; and, further authorizing the Director to take such actions as the nature of the cause and the interests of Gallant and Valor, their policyholders and creditors, or the public, may require, subject to the further orders of the Court; and,

C. That the Defendants, Gallant and Valor, and their present and former officers, directors, trustees, agents, managing general agents, third-party administrators, servants, representatives, employees and their parent, subsidiary and affiliated companies, including but not limited to J and P Holdings, Inc., J and P West, Inc.; Insure One Commercial Insurors, Inc.; Warrior Insurance Group, Inc.; Warrior Premium Payment Services, Ltd.; Quadrant II Technologies, Inc.; Warrior Insurance Services, Inc., and all other persons and entities, are hereby ordered to give immediate possession and control to the Conservator of all property, business, books, records, accounts, and all other assets of the Defendants, Gallant and Valor, and of any and all premises occupied by Gallant and Valor for the transaction of their business; and,

D. That all agents, managing general agents, third-party administrators, reinsurers, retrocessionaires, accountants, auditors, actuaries and attorneys of the Defendants, Gallant or Valor, including but not limited to J and P Holdings, Inc., J and P West, Inc.; Insure One Commercial Insurors, Inc.; Warrior Insurance Group, Inc.; Warrior Premium Payment Services, Ltd.; Quadrant II Technologies, Inc.; Warrior Insurance Services, Inc., are hereby ordered and directed to deliver to the Conservator, upon request, copies of all documents in their possession or under their control concerning or relating to the Defendants, Gallant or Valor, and to provide the Conservator with such information as he may require concerning any and all business and/or professional relationships between them and the Defendants, Gallant or Valor, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of Gallant or Valor, or Gallant's or Valor's officers, directors, agents, servants, representatives and/or employees, or which Gallant or Valor is, or may be, entitled to as the result of their relationship with such agents, managing general agents, third-party administrators,

fronting carriers, reinsurers, retrocessionaires, accountants, auditors, actuaries and/or attorneys; and,

E. That the Defendants, Gallant and Valor, and their officers, directors, agents, servants, representatives and employees, and all other persons and entities having knowledge of the order prayed for herein are hereby restrained and enjoined from transacting any business of Gallant and Valor, or dealing with, or disposing of, any of Gallant and Valor's property or assets, whether real, personal or mixed, without the express written consent of the Director or until further order of the Court, or doing or permitting to be done any action which might waste or conceal the property or assets of Gallant and Valor.

F. That any and all banks, brokerage houses, financial institutions, investment advisors and any and all other companies, persons or entities having knowledge of the order prayed for herein, having in their possession accounts and any other assets which are, or may be, the property of Gallant or Valor, are hereby restrained and enjoined from disbursing or disposing of said accounts and assets, without the express written consent of the Conservator; and, all such companies, persons and entities are hereby restrained and enjoined from disposing of, or destroying, any records pertaining to any business transaction between Gallant and Valor and such banks, brokerage houses, financial institutions, investment advisors, companies, persons or entities having done business, or doing business, with Gallant and Valor; and that each such company, person or entity is hereby ordered and directed to immediately turn over and deliver possession and control of any and all such accounts, assets and/or records to the Conservator; and,

G. That all agents, managing general agents, third-party administrators and brokers of Gallant or Valor, and their respective agents, servants, representatives and employees, and all other persons and entities having knowledge of the order prayed for herein 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, bonds, certificates or treaties of insurance or reinsurance, previously issued, or to be issued, by Gallant or Valor, to policyholders or others; and that said agents, managing general agents, third-party administrators and brokers, and their respective agents, servants, representatives and employees,

and all other persons and entities, are hereby directed and ordered 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 Conservator in gross and not net of any commissions which may be due thereon, subject to the provisions of 215 ILCS 5/206; except that, subject to the consent of the Director, Gallant and Valor may continue to remit premiums received for their policies of insurance issued or renewed after December 31, 2001 to Affirmative Insurance Company in accordance with the terms of the Affirmative Transaction set forth in paragraph 7 of the Director's Verified Complaint; and,

H. That the officers, directors, agents, servants, representatives and employees of the Defendants, Gallant and Valor, and all other persons, companies and entities having knowledge of the order prayed for herein, including, but not limited to, the policyholders and creditors of Gallant and Valor are hereby restrained and enjoined from: (i) bringing, asserting or further prosecuting any claim, action or proceeding, at law or in equity or otherwise, whether in this State or elsewhere, against Gallant or Valor, or their property or assets, or against the Director as their Conservator, except insofar as those claims, actions or proceedings arise in or are brought in these conservation proceedings; (ii) obtaining, asserting or enforcing preferences, judgments, attachments, garnishments or other like liens or encumbrances, including common law retaining liens, or the making of any levy against Gallant or Valor, or their property or assets while in the possession and control of the Conservator; (iii) interfering, in any way, with the Conservator's conduct of the conservation of Gallant and Valor; and (iv) interfering, in any way, with the Conservator in his possession and control of the property, business, books, records, accounts, premises and all other assets of Gallant and Valor, until further order of the Court; and,

I. That a moratorium is hereby issued and established enjoining and prohibiting the Defendants, Gallant and Valor, and their directors, officers, agents, managing general agents, third-party administrators, servants, representatives, employees, parent and affiliated companies, and all other persons and entities having knowledge of the order prayed for herein, from paying any claims, loss adjustment expenses, other contractual obligations, or any judgments, attachments or other like encumbrances incurred by the Defendants, Gallant and Valor, the result of Gallant and Valor having issued contracts, policies, bonds or certificates of insurance, except

as otherwise provided herein, until further order of the Court; provided that this moratorium shall not prohibit Affirmative Insurance Company from continuing to directly pay claims, loss adjustment expenses, and other contractual obligations, based upon claims of either Gallant or Valor, which occurred after 12/31/01, in accordance with the terms of Affirmative Insurance Company's Reinsurance Agreement, Exhibit B to Director's Verified Complaint; and

J. That certain "Hardship Claims" shall be excepted from the moratorium set forth in paragraph (I) herein, and that the Conservator is authorized to approve payment of such "Hardship Claims", subject to sufficient available assets and upon terms and conditions set forth herein. A "Hardship Claim" shall be defined as follows:

A claim that is determined, at the sole discretion of the Conservator, and without further order of the Court, and subject to sufficient and reasonable proof being presented, to be a covered claim for significant economic loss arising out of the use of a vehicle by an insured driver which requires immediate relief and no other economic resource is reasonably available to the claimant to meet that loss. This would include, but is not limited to:

(i) Claims by or against a Gallant or Valor insured, and corresponding loss adjustment expenses related thereto, if necessary and appropriate, associated with the covered loss of use of a vehicle due to mechanics liens, or otherwise, when such vehicle is reasonably necessary for employment or other essential needs; and

(ii) Third-party claims against a Gallant or Valor insured which have resulted in judgment(s) against such insured, and which have further resulted in the Secretary of State, in this or any other State, having revoked or suspended the drivers license of such insured, when that drivers license is reasonably necessary for the insured's employment or other essential needs.

K. That a moratorium is hereby issued and established enjoining and prohibiting the Defendants, Gallant and Valor, and their directors, officers, agents, managing general agents, third-party administrators, servants, representatives, employees and affiliated companies, and all other persons and entities, from paying any claims or other contractual obligations incurred by

the Defendants, Gallant and Valor, as a result of Gallant and Valor having assumed any liabilities under agreements, treaties, certificates or contracts of reinsurance, until further order of the Court; and,

L. That a moratorium is hereby issued and established enjoining and prohibiting the Defendants, Gallant and Valor, and their directors, officers, agents, managing general agents, third-party administrators, servants, representatives, employees and affiliated companies, and all other persons and entities, from paying any contractual obligations of Gallant and Valor owing to their creditors and/or vendors, or their respective assignees, or any other persons, except insofar that such payments are necessary in the administration of the conservation of Gallant and Valor, as contemplated by 215 ILCS 5/202, and as authorized by the Conservator, until further order of the Court; and,

M. That any and all persons, companies and entities are hereby restrained and enjoined from construing this Order of Conservation as an anticipatory breach of any contract, including, but not limited to, agreements, treaties, certificates or contracts of reinsurance, heretofore entered into with the Defendants, Gallant and Valor; and,

N. That the Director, as Conservator, is hereby directed to ascertain the condition of the Defendants, Gallant and Valor, while he is in possession and control of the property, books, records, accounts, assets, premises, business and affairs of Gallant and Valor, and to make periodic reports to the Court as to the nature and condition of the Defendants, Gallant and Valor, while in conservation; and that the Conservator is further directed to file with this Court, for its consideration, reports relating to the administration of the conservation of Gallant and Valor, in accordance with Section 202 of the Code, 215 ILCS 5/202; and,

O. That the Director, as Conservator, is hereby authorized to pay from the assets of the Defendants, Gallant and Valor, those expenses incurred during the course of the conservation of Gallant and Valor, 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, *Id.*; and,

P. That all costs of these proceedings are hereby taxed and assessed against the Defendants, Gallant and Valor; and,

Q. That it is hereby ordered that the caption in this cause and all pleadings filed in this matter shall hereafter read:

**"IN THE MATTER OF THE CONSERVATION
OF GALLANT INSURANCE COMPANY AND
VALOR INSURANCE COMPANY"**

R. That this Court retains jurisdiction in this cause for the purpose of granting such further relief as the nature of the cause, and the interests of the Defendants, Gallant and Valor, their policyholders, creditors and stockholders, or of the public, may require; and/or as the Court may deem proper in the premises.

ENTERED:

Judge

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