

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

PEOPLE OF THE STATE OF ILLINOIS, ex rel.)
MICHAEL T. McRAITH, DIRECTOR OF)
INSURANCE OF THE STATE OF ILLINOIS,)
)
Plaintiffs,)
)
v.)
)
THE ADMINISTRATIVE EMPLOYER GROUP INC.,)
EMPLOYER'S CONSORTIUM V, INC., JRSO, INC.,)
MICHAEL A. WARD,)
Defendants.)

This Verified Complaint
is confidential under
215 ILCS 5/188.1

07CH23319
NO.

ORDER OF CONSERVATION AND INJUNCTIVE RELIEF

THIS CAUSE COMING TO BE HEARD upon the Verified Complaint for Conservation of Assets and Injunctive Relief, filed herein by the PEOPLE OF THE STATE OF ILLINOIS, on the relation of MICHAEL T. McRAITH, Director of Insurance of the State of Illinois (the "Director"), for an order authorizing and directing the Director to take possession and control of the property, accounts, assets, records, business, and affairs of The Administrative Employer Group, Inc. ("AEG"), Employer's Consortium, Inc. V ("ECI"), JRSO, INC. ("JRSO"), and Michael A. Ward ("Ward") (collectively, "The Defendants"), and to conserve the same pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187, *et seq.* (2006), and further to protect the interests of The Defendants' policyholders, creditors and of the general 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 the arguments of counsel thereon, and the Court then being otherwise advised in the premises, and for good cause appearing therefore;

THE COURT FINDS:

That, by his Verified Complaint, The Director seeks an Order of Conservation against the Defendants, AEG, ECI, JRSO, and Ward, pursuant to Section 188.1 of the Code, 215 ILCS 5/188.1. By his Verified Complaint, the Director alleges that sufficient cause exists under Section 188 of the Code, 215 ILCS 5/188, for the entry of an order of rehabilitation or liquidation against The Defendants, including, without limitation, the following facts and circumstances:

(a) The Defendants are transacting the business of insurance without being organized for or having obtained a certificate authorizing their transaction of such business in the State of Illinois; and

(b) Defendants AEG and ECI have received premium arising from the unauthorized transaction of the business of insurance and have failed to hold such premium in a fiduciary capacity.

IT IS HEREBY ORDERED THAT:

A. This Order of Conservation be and the same is hereby entered as, to and against, AEG, ECI, JRSO, and Ward;

B. Michael T. McRaith, Director of Insurance of the State of Illinois, and his successors in office, is hereby appointed as conservator of the AEG, ECI, JRSO, and Ward, (the "Director" or "Conservator"), and is hereby authorized and directed to immediately take possession and control of the property, books, records, accounts, assets, business and affairs of The Defendants, and of the premises currently occupied, or hereafter occupied, by them 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 The Defendants and of the public; and, further, to take such actions that the nature of this cause and the interests of the policyholders and creditors of The Defendants, or the public, may require, subject to the further orders of this Court;

C. The Defendants, AEG, ECI, JRSO, and Ward, and their present and former, officers, directors, agents, managing general agents, third-party administrators, servants, representatives, employees and their parent, subsidiary and affiliated companies, and all other persons and entities having knowledge of the order prayed for herein, shall give immediate possession and control to the Director, as Conservator, of all property, business, books, records, accounts, funds, and all other assets of the Defendants, AEG, ECI, JRSO, and Ward, and of any and all premises occupied AEG, ECI, JRSO, and Ward that are used or involved in the unauthorized transaction of the business of insurance and may reasonably relate to or arise from certificates of insurance for workers compensation coverage issued in the name of RCA (without unnecessarily interrupting the transaction of any business unrelated to and not consisting of the unauthorized transaction of the business of insurance as described herein); and,

D. All trustees, agents, managing general agents, third-party administrators, insurers, reinsurers, retrocessionaires, accountants, auditors, actuaries and attorneys of the Defendants, AEG, ECI, JRSO, and Ward, shall deliver to the Director, as Conservator, upon request, copies of all documents in their possession or under their control concerning or relating to the Defendants, AEG, ECI, JRSO, and Ward, that may reasonably relate to or arise from certificates of insurance for workers compensation coverage issued in the name of RCA, and shall provide the Director, as Conservator, with such information as he may require concerning any and all business and/or professional relationships between them and the Defendants, AEG, ECI, JRSO, and Ward, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of AEG, ECI, JRSO, and Ward, and their officers, directors, agents, servants, representatives and/or employees, or which AEG, ECI, JRSO, and Ward, are, or may be, entitled to as the result of their relationship with such agents, managing general agents, third-party administrators, insurers, reinsurers, retrocessionaires, accountants, auditors, actuaries and/or attorneys; and,

E. The Defendants, AEG, ECI, JRSO, Ward, and their officers, directors, principals, shareholders, partners, members, agents, servants, representatives and employees, and all other persons and entities having knowledge of the order prayed for herein, are enjoined and restrained from transacting any business of AEG, ECI, JRSO, and. Ward, that may reasonably relate to or arise from certificates of insurance for workers compensation coverage issued in the name of

RCA, to wit, all such Defendants, persons and entities shall not advertise; solicit; sell; collect premiums; issue, mail or deliver policies, contracts, certificates of insurance coverage or benefits, applications, or any other evidence of insurance coverage or participation by the Reinsurance Company of America Inc., or any unauthorized insurer, nor shall they enter into any other contract or agreement which purports to provide workers compensation insurance benefits affecting residents, unless and until such time as the Director determines that such contracts or agreements meet all of the requirements of the Illinois Insurance Code and Illinois Division of Insurance regulations, or dealing with, or disposing of, any of the property or assets, whether real, personal or mixed of AEG, ECI, JRSO, and Ward, without the express written consent of the Director, as Conservator, 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 AEG, ECI, JRSO, and Ward.

F. Any and all trustees, 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 AEG, ECI, JRSO, and Ward, that may reasonably relate to or arise from premium received from the sale and issuance of certificates of insurance for workers compensation coverage issued in the name of RCA, are enjoined and restrained from disbursing or disposing of said accounts and assets, without the express written consent of the Director, as Conservator, and, the aforesaid trustees, banks, brokerage houses, financial institutions, investment advisors, companies, persons and entities are further restrained and enjoined from disposing of, or destroying, any records pertaining to any business transaction between AEG, ECI, JRSO, and Ward, and such trustees, banks, brokerage houses, financial institutions, investment advisors, companies, persons or entities having done business, or doing business, with AEG, ECI, JRSO, and Ward; and that each such trustee, bank, brokerage house, financial institution, investment advisor, company, person or entity is ordered and directed to immediately turn over and deliver possession and control of any and all such accounts, assets and/or records to the Director, as Conservator; and,

G. All trustees, agents, managing general agents, third-party administrators and brokers of AEG, ECI, JRSO, and Ward, and their respective agents, servants, representatives and employees, and all other persons and entities having knowledge of the order prayed for herein are enjoined and restrained from returning any premium, earned or unearned, or any other money

in their possession, or under their control, collected in connection with insurance contracts or certificates of insurance for workers compensation coverage issued in the name of RCA, previously agreed to, or to be agreed to, by AEG, ECI, JRSO, or Ward, to claimants, creditors, insureds, insurers or any others; and said trustees, agents, managing general agents, third-party administrators and brokers, and their respective agents, servants, representatives and employees, and all other persons and entities having knowledge of the order prayed for herein, are 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 Director, as Conservator, in gross and not net of any commissions which may be due thereon.

H. The trustees, officers, directors, principals, shareholders, partners, members, agents, servants, representatives and employees of the Defendants, AEG, ECI, JRSO, and Ward, and all other persons, companies and entities having knowledge of the order prayed for herein, are enjoined and restrained 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 AEG, ECI, JRSO, or Ward, 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 the conservation proceedings prayed for herein; (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 AEG, ECI, JRSO, and Ward, or their property or assets while in the possession and control of the Director, as Conservator; (iii) interfering, in any way, with the Director's conduct of the conservation of AEG, ECI, JRSO, and Ward; and (iv) interfering, in any way, with the Director, as Conservator, in his possession and control of the property, business, books, records, accounts, premises and all other assets of AEG, ECI, JRSO, and Ward, until further order of the Court; and,

I. The Defendants, AEG, ECI, JRSO, and Ward, and their trustees, directors, officers, agents, managing general agents, third-party administrators, servants, representatives, employees, parent and affiliated companies, and all other persons and entities are enjoined and restrained from accepting any additional premium relating to the workers compensation certificates issued by any of the Defendants in the name of RCA;

J. The Defendants, AEG, ECI, JRSO, and Ward, are enjoined and restrained from paying any claims or other contractual obligations incurred by them with funds arising from or

related to premium received and held by them as a result of workers compensation certificates issued in the name of RCA, or resulting from any other unauthorized transaction of the business of insurance, by any of the Defendants, until further order of the Court; and

K. The Defendants, AEG, ECI, JRSO, and Ward, and their trustees, directors, officers, principals, shareholders, partners, members, agents, managing general agents, third-party administrators, servants, representatives, employees and affiliated companies, and all other persons and entities having knowledge of this order are enjoined and restrained from paying with funds arising from or related to premium resulting from the issuance of workers compensation certificates issued in the name of RCA, or resulting from any other unauthorized transaction of the business of insurance by the Defendants, any contractual obligations of AEG, ECI, JRSO, and Ward, owing to their creditors, insurers, 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 AEG, ECI, JRSO, and Ward, as contemplated by 215 ILCS 5/202, and as authorized by the Director, as Conservator, until further order of the Court; and,

L. Any and all persons, companies and entities having knowledge of this order are enjoined and restrained from construing this order as an anticipatory breach of any contract, including, but not limited to, agreements, treaties, certificates or contracts of insurance or reinsurance, heretofore entered into with the Defendants, AEG, ECI, JRSO, and Ward; and,

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

N. The Director, as Conservator, is authorized to pay from the assets of the Defendants, AEG, ECI, JRSO, and Ward, those expenses incurred during the course of their conservation, 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,

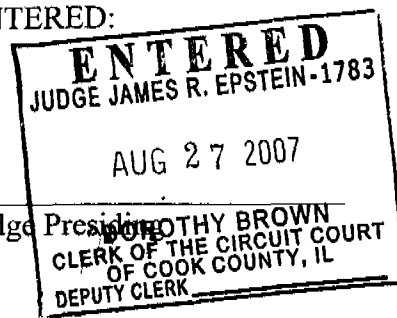
O. All costs of these proceedings are taxed and assessed against the Defendants, AEG, ECI, JRSO, and Ward, jointly and severally; and,

P. The caption in this cause and all pleadings filed in this matter shall hereafter read:

**"IN THE MATTER OF THE CONSERVATION
OF THE ADMINISTRATIVE EMPLOYER GROUP, INC., JRSO,
INC., EMPLOYERS CONSORTIUM, INC. V, MICHAEL A.
WARD"**

Q. The Court retain jurisdiction in this cause for the purpose of granting such further relief as the nature of the cause, and the interests of the Defendants, AEG, ECI, JRSO, and Ward, their policyholders, creditors or of the public, may require; and/or as the Court may deem proper in the premises.

ENTERED:



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