

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

IN THE MATTER OF THE LIQUIDATION)
OF THE)
PINE TOP INSURANCE COMPANY)
) No. 86 CH 5898

ORDER

This cause having come to be heard upon the Petition of Stephen F. Selcke, Director of Insurance of the State of Illinois, as Liquidator of Pine Top Insurance Company ("Liquidation"), acting by and through his Special Deputy, for approval of a procedure for final valuation of cedent creditors' claims, the Court having jurisdiction over the subject matter and the parties, notice having been given to Pine Top's cedent creditors and retrocessionaires in accordance with this Court's order of October 21, 1992, due notice of this hearing having been given and the Court having considered the Liquidator's October 21, 1992 petition, Tennessee Insurance Company's ("Tennessee's") August 9, 1993 Petition for Specific Performance, and Tennessee's August 9, 1993 Motion to Compel, and the memoranda filed in connection therewith and the arguments of counsel, and having been otherwise fully advised in the premises, and good cause appearing therefore;

IT IS HEREBY ORDERED THAT:

A. Tennessee's Petition for Specific Performance and Motion to Compel, both filed August 9, 1993, are granted in limited part. The Liquidator shall provide to Tennessee:

1. Samplings of claims files with respect to each ceded treaty, such samplings to be agreed to by the parties following consultations with their experts;
2. Placing materials with respect to Pine Top assumed treaties, as agreed;
3. Underwriting files with respect to Pine Top assumed treaties, as agreed;
4. Copies of Tillinghast actuarial reports relating to business ceded to Tennessee subject to appropriate confidentiality agreements.

If the parties cannot agree with respect to any of the above, they shall bring an appropriate motion before the Court.

B. The Liquidator's Petition for Approval of a Procedure for Final Valuation of Cedents' Claims is granted, as modified, and the following procedure is approved:

1. The Liquidator shall notify, by mail (certified or registered mail where available), all cedents that they have 90 days from the mailing of the notice to file a final update to their proof of claim. Cedents who have not filed a proof of claim may still file a late proof of claim which would also be deemed their final update. A proof of claim or final update shall be deemed "filed" when it is actually received by the Liquidator.

2. The Liquidator shall provide the cedents a form to complete for their final update, in a format consistent with this

order. The cedents shall be required to provide the following information in their final updated claim:

- a. The cedents' balances, as reflected on their records as of January 17, 1992, for paid losses recoverable, outstanding loss reserves, reserves for incurred but not reported ("I.B.N.R.") losses and any other balances reflected on the cedents' records as due from Pine Top.
- b. The cedents must provide total inception-to-date incurred losses, including the losses reflected in the final update, separately for each reinsurance contract.
- c. If the cedents include I.B.N.R. in their claim, they must provide reasonable support for the I.B.N.R. including an explanation of how the I.B.N.R. was calculated. Cedents must demonstrate that any I.B.N.R. claims submitted are calculated based on reasonable actuarial certainty. The cedents must include sufficient documentation of an I.B.N.R. claim so that the Liquidator's actuary can recalculate the I.B.N.R. If the cedent included in Schedule F of its filed 1991 Statutory Annual Statement a specific I.B.N.R. amount for Pine Top, the cedent must provide a copy of that page from the annual statement along with its final updated claim. The Liquidator and his actuary shall evaluate all information provided in

support of an I.B.N.R. claim and compare it to his own calculation in making a final evaluation.

- d. The cedents shall not include any losses, or I.B.N.R. estimates of losses, which occurred after January 16, 1987.
- e. The cedents shall provide details of any security provided by Pine Top including but not limited to funds held, letters of credit or a security fund. The cedents must provide a copy of the agreement evidencing the security or provide details of the security provided by Pine Top including the bank account number and current balance.
- f. Pro rata (proportional) cedents must provide a list of all large losses in which Pine Top's share is in excess of \$50,000, as well as any identified ISO catastrophe losses.
- g. The cedents must provide the names of a contact person who can answer questions about their final updated claim. The cedents must respond to the Liquidator's reasonable requests for additional information regarding their claim, including a request to recover the records supporting the final updated claim.
- h. Managing general agents and others who have filed proofs of claim on behalf of cedents of Pine Top and have not identified those cedents must do so in the final updated filing. In the event more

than one cedent is represented, the representative should prepare a separate final updated filing.

3. Based on his review of the original proofs of claim and the final updates to those claims, the Liquidator will provide his recommendation to the Court for final valuation of the cedents' claims. Included in his recommendation will be the discount rates to be applied to the outstanding and I.B.N.R. reserves of each claim to arrive at the present value of those claims.

4. For cedents who elect not to file a final update, the Liquidator shall value their claim based on the original proof of claim and any updates submitted.

5. Simultaneously with the filing of his recommended evaluations with the Court, the Liquidator shall provide notice to all cedents and affected retrocessionaires of the Liquidator's proposed valuations of the cedents' claims.

6. Cedents whose claims are being adjudicated and affected retrocessionaires shall be allowed to review all documents relevant to the determination of the valuation of the cedents' claims.

7. Additionally, retrocessionaires that have complied with their contractual obligations to post security for paid losses, case reserves and, where contractually required, I.B.N.R., shall be allowed to exercise their contractual audit rights upon such terms as the Court may allow. Such documentation shall be made available at the office of the Liquidator and at such a reasonable time as allowed by the Liquidator and the Court.

8. Cedents and retrocessionaires shall have 120 days to present a written objection to the Liquidator's valuation of claims. The cedents whose claims are being adjudicated and affected retrocessionaires also may request a hearing before the Court.

9. Any claim recommendation not objected to within the 120 day period shall be deemed allowed.

10. Recommended valuations objected to by the cedents whose claims are being adjudicated or affected retrocessionaires will be decided in a hearing before this Court.

ENTER:

JUDGE EDWIN M. BERMAN

OCT 19 1993

Circuit Court-153

Edwin M. Berman
Judge Presiding



Date: _____

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