

INVITATION FOR BID
FOR
**PURCHASE OF OUTSTANDING REINSURANCE ASSETS OF AMERICAN
MUTUAL REINSURANCE COMPANY, IN REHABILITATION**

Office of the Special Deputy Receiver

June 10, 2009

INVITATION FOR BID (“IFB”)

Purchase Of Outstanding Reinsurance Assets

Background Information:

The Office of the Special Deputy Receiver (the “OSD”), an Illinois not-for-profit corporation, administers the conservation, rehabilitation and liquidation of insurance companies for the Illinois Director of Insurance, in his capacity as Receiver.

American Mutual Reinsurance Company (AMRECO), is an Illinois domestic mutual insurance company. From its inception in 1941, AMRECO operated exclusively as a professional reinsurance company, providing only reinsurance to other insurance companies. Those insurance companies ceded to AMRECO a portion of the risks they had underwritten. AMRECO, in turn, retroceded a portion of the risks it assumed to other insurance and reinsurance companies. AMRECO’s retrocessions were of two types: (1) to organized groups of insurance and reinsurance companies called “pools”, which were managed by AMRECO and in which AMRECO participated; and (2) to retrocessional reinsurers providing common account protection to AMRECO and its participants (*i.e.*, the pool participants). On February 22, 1988, AMRECO consented to the entry of an Order of Rehabilitation by the Circuit Court of Cook County, Illinois, and affirming the Director of Insurance of the State of Illinois (the “Director”) as the statutory Rehabilitator of AMRECO.

The Director is empowered by the Illinois Insurance Code (the “Code”) to appoint a Special Deputy as his agent to supervise the conservation, rehabilitation or liquidation of insurance companies placed into receivership under the Code. The Office of the Special Deputy Receiver (the “OSD”) is an Illinois not-for-profit corporation. The OSD supports the activities of the Special Deputy in managing the affairs of insurance companies placed in conservation, rehabilitation or liquidation.

The Rehabilitator has determined it is now in the best interests of the AMRECO estate and its creditors to stop incurring the administrative costs associated with the efforts to collect the remaining retroceded balances due from certain solvent, insolvent and scheme appointed foreign markets, and realize a certainty of reinsurance asset value by sale of these and all other outstanding reinsurance assets.

Acting on behalf of the Rehabilitator, the OSD will accept bids to purchase the outstanding reinsurance assets of AMRECO as specifically set forth in a schedule of outstanding balances (the “Book of Reinsurance Assets”) to be provided to potential bidders as set forth below. Pursuant to the Code, the Rehabilitator’s award of bid will not be final unless and until it is approved by the court supervising AMRECO’s rehabilitation (the “Supervisory Court”). In presenting his petition for approval of the award, the Rehabilitator reserves the right to disclose the names of all bidders and the amounts of their respective bids.

Contact Information:

All communications from potential bidders and bidders relating to this IFB shall be made to:

Michael Cosentino
Senior Manager, Reinsurance
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza
Suite 1450
Chicago, IL 60654
e-mail: mcosentino@osdchi.com
(312)836-9671

Schedule of Events:

This IFB will be governed by the following schedule:

| | |
|--|----------------|
| Release of Invitation For Sealed Bid: | June 10, 2009 |
| Deadline to execute Nondisclosure Agreement: | June 25, 2009 |
| Deadline for Written Questions: | July 8, 2009 |
| Responses to Questions: | July 20, 2009 |
| Sealed Bids are Due: | July 27, 2009 |
| Bids are Opened: | July 28, 2009 |
| Bid Evaluation Completed: | July 31, 2009 |
| Notification to Winning Bidder: | July 31, 2009 |
| Awardee Deposit Payment to AMRECO: | August 7, 2009 |

Pre-Bid Guidelines:

Potential bidders interested in reviewing pertinent information (i.e. the Book of Reinsurance Assets, reinsurance policies and arrangements, types of losses involved, broker statements and billings, proof and scheme filings, etc.) regarding the outstanding reinsurance assets available for sale must first execute a Nondisclosure Agreement with the Rehabilitator. Copies of the Nondisclosure Agreement form may be obtained by

clicking [here](#). Please print and sign two copies of this agreement, and return both copies to:

Michael Cosentino
Senior Manager, Reinsurance
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza
Suite 1450
Chicago, IL 60654
e-mail: mcosentino@osdchi.com

You may submit your two executed Nondisclosure Agreements and request for a copy of the data disk by mail, courier service, or email. In order to receive a copy of the data disk, your two executed Nondisclosure Agreements and request for a copy of the data disk must be actually received at the offices of the Office of the Special Deputy Receiver on or before 3:00 p.m. (CST) on June 25, 2009. Data disks will be processed within one business day upon receipt of the signed Nondisclosure Agreements, and expedited via Overnight Express Mail. Any request for data disks will be rejected if: (a) it is received after 3:00 p.m. (CST) on June 25, 2009; or (b) executed Nondisclosure Agreements are not received at the offices of the Office of the Special Deputy Receiver on or before 3:00 p.m. (CST) on June 25, 2009.

Upon receipt of the two signed Nondisclosure Agreements, one fully executed Agreement will be returned to the potential bidder along with a data disk containing the pertinent information described above.

Subsequent to the submission of executed Nondisclosure Agreements and their receipt of the data disk, Potential bidders may submit written questions to:

Michael Cosentino
Senior Manager, Reinsurance
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza
Suite 1450
Chicago, IL 60654
e-mail: mcosentino@osdchi.com

Written questions must be actually received on or before 3:00 p.m. (CST) on July 8, 2009. Written questions received after 3:00 p.m. (CST) on July 8, 2009, directed to someone other than Michael Cosentino, or submitted verbally will not be responded to.

The written responses to the timely received written questions will be circulated to all potential bidders (those firms or persons that requested and received copies of the data disk) no later than July 20, 2009. Only written answers shall be binding upon the OSD and the Rehabilitator.

Submission of Bid:

Sealed bids must be submitted in writing and delivered by mail, courier service, or personal delivery on or before 3:00 p.m. (CST) on July 27, 2009. Any bid actually received after 3:00 p.m. (CST) on July 27, 2009, or delivered by a means other than mail, courier service, or personal delivery shall be disqualified from consideration for award.

All bids must: (a) be for the entire Book Of Reinsurance Assets; (b) state the purchase price in United States Currency; (c) be for a sum certain; and (d) state that the bid is good for 60 days after the bid opening date.

Bids will be rejected if: (a) they are not for the entire Book Of Reinsurance Assets; (b) are not stated in United States Currency; (c) the purchase price is contingent, in whole or in part; or (d) does not state that the bid is good for 60 days after the bid opening date.

Evaluation and Award

The winning bidder will be the organization submitting the highest bid. Please be advised that the sale of the AMRECO reinsurance assets to the highest bidder will not become final until approved by the Supervisory Court.

In the event of a tie between two or more high bidders, the Rehabilitator will contact the high bidders, advise them of the tie and request that they submit a best and final offer within 3 business days. The winning bidder will be the organization submitting the highest bid.

Within five (5) business days of being notified of the award, the Awardee shall make payment to AMRECO of a deposit in the amount of twenty-five percent (25%) of its bid price. In the event that the Supervisory Court enters an order disapproving the award, the Rehabilitator shall refund the deposit to the Awardee within five (5) business days of the entry of the Supervisory Court's order. In the event the Awardee fails to perform for any reason other than the entry of the Supervisory Court's order disapproving the award, AMRECO may retain the deposit as liquidated damages.

Standard Terms and Conditions

The OSD recognizes that although it is a private not-for-profit corporation organized under the laws of the State of Illinois, its activities are assigned by the Illinois Director of Insurance when acting in the capacity of statutory and court-affirmed Receiver of insurance companies. The OSD further recognizes that its representation of the Director of Insurance, as Receiver, arises from the powers of attorney given by the Director to the Special Deputy who also fills the positions of President and Chief

Executive Officer of the OSD. Accordingly, it is the policy of the OSD not to contract with any person or entity that is in violation of the laws of the State of Illinois or is barred from contracting with the Illinois Department of Insurance, under Illinois Public Act 095-0971, or otherwise. OSD Invitations for Bid and resulting contracts shall require purchaser compliance with state law.

This IFB does not commit the OSD to select an Awardee or enter into a contract with any bidding party. The OSD reserves the right to rescind or revoke this IFB prior to the execution of a contract with the Awardee. The OSD may in its sole discretion: reject a bid if it is non-responsive or non-compliant with the requirements set forth in this IFB; or (b) waive minor discrepancies in any bid. All materials submitted in response to this IFB shall become the property of the OSD and will not be returned.

Bidders are responsible for the performance of their due diligence and the sale of the Book of Reinsurance Assets is on an "as is" basis. Neither the Rehabilitator nor the OSD have given any warranties, express or implied.

All costs arising from or related to a bidder's developing and submitting a bid are the sole responsibility of the bidder.

The award of contract is subject to the approval of the Supervisory Court. In presenting his petition for approval of the award, the Rehabilitator reserves the right to disclose the names of all bidders and the amounts of their respective bids.

The purchase price is payable by the Awardee within five (5) business days of the Awardee being informed that the Supervisory Court has entered an order approving the award.