

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

PEOPLE OF THE STATE OF ILLINOIS, *ex rel.*,)
JENNIFER HAMMER, DIRECTOR OF)
THE ILLINOIS DEPARTMENT OF INSURANCE,)
)
Plaintiff,)

v.)

PUBLIC SERVICE INSURANCE COMPANY,)
an Illinois domestic stock insurance company, and)
PUBLIC SERVICE MUTUAL HOLDING COMPANY,)
an Illinois domestic mutual holding company,)
)
Defendants.)

Case No. 17 CH 3790

AGREED ORDER OF REHABILITATION

THIS CAUSE COMING TO BE HEARD upon the Verified Complaint for Rehabilitation filed herein by THE PEOPLE OF THE STATE OF ILLINOIS, upon the relation of JENNIFER HAMMER, Director of the Illinois Department of Insurance (the "Director" or "Rehabilitator"), seeking an Order of Rehabilitation as to and against Public Service Insurance Company ("Public Service") and Public Service Mutual Holding Company ("Public Service Mutual"), pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187, *et seq.* ("Article XIII"), the Court having jurisdiction over the parties hereto and the subject matter hereof, the Court having reviewed the pleadings filed herein and having considered arguments of counsel thereon, and the Court then being otherwise advised in the premises, and for good cause appearing therefore,

THE COURT FINDS THAT:

(A) Sufficient cause exists for the entry of an order for rehabilitation of the Defendants, Public Service and Public Service Mutual, including the fact that their directors have unanimously agreed and consented to the entry of an Agreed Order of Rehabilitation; and

(B) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the entry of this Agreed Order of Rehabilitation creates an estate comprising all of the liabilities and assets of Public Service and Public Service Mutual; and

(C) Upon the entry of this Agreed Order of Rehabilitation, the Rehabilitator's statutory authority includes, without limitation, the following:

(i) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is vested by operation of law with the title to all property, contracts, and rights of action of Public Service and Public Service Mutual; and

(ii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is entitled to immediate possession and control of all property, contracts, and rights of action of Public Service and Public Service Mutual; and

(iii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is authorized to remove any and all records and property of Public Service and Public Service Mutual to her possession and control or to such other place as may be convenient for purposes of the efficient and orderly administration of the rehabilitation of Public Service and Public Service Mutual; and

(iv) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator is authorized to deal with the property, business and affairs of Public Service and Public Service Mutual in her name, as Director, and that the Rehabilitator is also authorized to deal with the property, business and affairs of Public Service and Public Service Mutual in the name of Public Service and Public Service Mutual; and

(v) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator, without the prior approval of the Court, is authorized to sell or otherwise dispose of any real or personal property of Public Service and Public Service Mutual, or any part thereof, and to sell or compromise all doubtful or uncollectible debts or claims owing to Public Service and/or Public Service Mutual having a value in the amount of Twenty-Five Thousand Dollars (\$25,000.00), or less. Any such sale by the Rehabilitator of the real or personal property of Public Service and/or Public Service Mutual having a value in excess of Twenty-Five Thousand Dollars (\$25,000.00), and sale or compromise of debts owing to Public Service and/or Public Service Mutual by the Rehabilitator where the debt owing to Public Service or Public Service Mutual exceeds Twenty-Five Thousand Dollars (\$25,000.00) shall be made subject to the approval of the Court; and

(vi) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator may solicit contracts whereby a solvent company agrees to assume, in whole or in part, or upon a modified basis, the liabilities of a company in

rehabilitation in a manner consistent with subsection (4) of Section 193 of the Code, 215 ILCS 5/193(4); and

(vii) Pursuant to Section 192(3) of the Code, 215 ILCS 5/192(3), the Rehabilitator is authorized to bring any action, claim, suit or proceeding against any person with respect to that person's dealings with Public Service and/or Public Service Mutual including, but not limited to, prosecuting any action, claim, suit, or proceeding on behalf of the policyholders, claimants, beneficiaries or creditors of Public Service and Public Service Mutual; and

(viii) Pursuant to Section 192(4) of the Code, 215 ILCS 5/192(4), if at any time the Rehabilitator finds that it is in the best interests of the policyholders, claimants, beneficiaries, and creditors to effect a plan of rehabilitation, the Rehabilitator may submit such a plan to the Court for its approval; and

(ix) Pursuant to Section 194(b) of the Code, 215 ILCS 5/194(b), the Rehabilitator may, within two (2) years after the entry of this Agreed Order of Rehabilitation, or within such further time as applicable law permits, institute an action, claim, suit, or proceeding upon any cause of action against which the period of limitation fixed by applicable law had not expired as of the filing of the complaint upon which this rehabilitation order was entered; and

(x) Subject to the provisions of Section 202 of the Code, 215 ILCS 5/202, the Rehabilitator is authorized to appoint and retain those persons specified in Section 202(a) of the Code, 215 ILCS 5/202(a), and to pay, without the further order of his Court, from the assets of Public Service and Public Service Mutual, all

administrative expenses incurred during the course of the rehabilitation of Public Service and Public Service Mutual; and

(xi) Pursuant to Section 203 of the Code, 215 ILCS 5/203, the Rehabilitator shall not be required to pay any fee to any public officer for filing, recording or in any manner authenticating any paper or instrument relating to any proceeding under Article XIII of the Illinois Insurance Code, 215 ILCS 5/187, *et seq.*, nor for services rendered by any public officer for serving any process; and

(xii) Pursuant to the provisions of Section 204 of the Code, 215 ILCS 5/204, the Rehabilitator may seek to avoid preferential transfers of the property of Public Service and Public Service Mutual and to recover such property or its value, if it has been converted.

IT IS HEREBY ORDERED THAT:

(1) This Agreed Order of Rehabilitation is entered as to and against Public Service and Public Service Mutual.

(2) Jennifer Hammer, Director of the Illinois Department of Insurance, and her successors in office, is affirmed as the statutory Rehabilitator of Public Service and Public Service Mutual with all of the powers appurtenant hereto.

(3) All policies and contracts of insurance, and agreements of reinsurance where Public Service is the ceding company, shall remain in full force and effect pending a determination

by the Director as to when, and upon what terms, cancellation or renewal is appropriate. All treaties, contracts and agreements of reinsurance wherein Public Service was, or is, the assuming or retrocessional reinsurer shall remain in full force and effect, until further order of this Court.

(4) Subject to the further orders of the Court, the Rehabilitator is authorized to take such actions as the nature of the cause and the interests of Public Service and Public Service Mutual, and their respective policyholders, claimants, beneficiaries, creditors, or the public may require including, but not limited to, the following:

(i) The Rehabilitator shall proceed to take immediate possession and control of the property, books, records, accounts, business and affairs, and all other assets of Public Service and Public Service Mutual, and of the premises occupied by Public Service and Public Service Mutual for the transaction of their business, and to marshal and liquidate the assets, business and affairs of Public Service and Public Service Mutual pursuant to the provisions of Article XIII of the Code; *supra*, and the Rehabilitator is further directed and authorized to orderly wind down and run off the business and affairs of Public Service and Public Service Mutual, and to make the continued expenditure of such wages, rents and expenses as she may deem necessary and proper for the administration of the rehabilitation of Public Service and Public Service Mutual; and

(ii) The Rehabilitator may both sue and defend on behalf of Public Service and Public Service Mutual, or for the benefit of the policyholders, claimants and other creditors of Public Service and Public Service Mutual, in the courts in her

name as the Rehabilitator of Public Service and/or Public Service Mutual, or in the name of Public Service and/or Public Service Mutual, as the case may be; and

(iii) The Rehabilitator may continue to pay policyholder claims and claims against policyholders of Public Service as they come due. The Rehabilitator may also continue to pay assumed reinsurance claims as they come due.

(5) The Director is vested with the right, title and interest in all funds recoverable under contracts, treaties, certificates, and agreements of reinsurance heretofore entered into by or on behalf of Public Service.

(6) Any acts or omissions of the Rehabilitator in connection with the rehabilitation of Public Service and Public Service Mutual, shall not be construed or considered to be a preference within the meaning of Section 204 of the Code, 215 ILCS 5/204, notwithstanding the fact that any such act or omission may cause a policyholder, claimant, beneficiary, third party or creditor to receive a greater percentage of debt owed to or by Public Service and/or Public Service Mutual than any other policyholder, claimant, beneficiary, third party or creditor in the same class.

(7) The caption in his cause and all pleadings filed in his matter shall hereafter read:

**“IN THE MATTER OF THE REHABILITATION
OF PUBLIC SERVICE INSURANCE COMPANY AND
PUBLIC SERVICE MUTUAL HOLDING COMPANY”**

(8) All costs of these proceedings shall be taxed and assessed against the Defendants Public Service and Public Service Mutual.

(9) Pursuant to Section 189 of the Code, 215 ILCS 5/189, the Court hereby issues the following mandatory and prohibitive injunctions:

(i) All accountants, auditors and attorneys of Public Service and/or Public Service Mutual are ordered to deliver to the Rehabilitator, at her request, copies of all documents in their possession or under their control concerning or related to Public Service and/or Public Service Mutual, and to provide the Rehabilitator with such information as she may require concerning any and all business and/or professional relationships between them and Public Service and/or Public Service Mutual, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of Public Service and/or Public Service Mutual, or its agents, servants, officers, directors and/or employees, or which Public Service and/or Public Service Mutual may be, or is, entitled to as the result of their relationship with such accountants, auditors and attorneys; and

(ii) Public Service and Public Service Mutual and their directors, officers, agents, servants, representatives, employees, affiliated companies, and all other persons and entities, shall give immediate possession and control to the Rehabilitator of all property, business, books, records and accounts of Public Service and Public Service Mutual, and all premises occupied by Public Service and Public Service Mutual for the transaction of their business; and

(iii) Public Service and Public Service Mutual and their officers, directors, agents, servants, representatives and employees, affiliated companies and all other persons and entities having knowledge of this Order are restrained and enjoined from transacting any business of Public Service and/or Public Service Mutual, or disposing of any company property or assets, including books, records and computer and other electronic data, without the express written consent of the Rehabilitator, or doing or permitting to be done any action which might waste the property or assets of Public Service and Public Service Mutual, until the further order of this Court; and

(iv) The officers, directors, agents, servants, representatives and employees of Public Service and Public Service Mutual, and all other persons and entities having knowledge of this Order are restrained and enjoined from bringing or further prosecuting any claim, action or proceeding at law or in equity or otherwise, whether in his State or elsewhere, against Public Service and/or Public Service Mutual, or its property or assets, or the Director as its Rehabilitator, except insofar as those claims, actions or proceedings arise in or are brought in these rehabilitation proceedings; or from obtaining, asserting or enforcing preferences, judgments, attachments or other like liens, including common law retaining liens, or encumbrances or the making of any levy against Public Service and/or Public Service Mutual, or its property or assets while in the possession and control of the Rehabilitator, or from interfering in any way with the Rehabilitator in her possession or control of the property, business, books, records, accounts, premises and all other assets of Public Service and Public Service Mutual, until

the further order of this Court; and

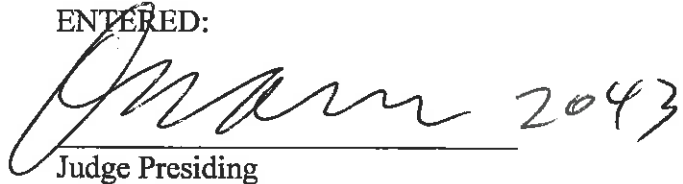
(v) Any and all banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of this Order having in its possession accounts and any other assets which are, or may be, the property of Public Service and/or Public Service Mutual, are restrained and enjoined from disbursing or disposing of said accounts and assets and are further restrained and enjoined from disposing of or destroying any records pertaining to any business transaction between Public Service and/or Public Service Mutual, and such banks, brokerage houses, financial institutions, companies, persons or entities having done business, or doing business, with Public Service and/or Public Service Mutual, or having in their possession assets which are, or may be, the property of Public Service and/or Public Service Mutual, and further, that each such person or entity is ordered to immediately deliver any and all such assets and/or records to the Rehabilitator; and

(vi) All insurance and reinsurance companies and entities that assumed liabilities from Public Service arising under either contracts, policies of insurance, certificates of insurance, or agreements, contracts, treaties or certificates of reinsurance issued by Public Service, are restrained and enjoined from making any settlements with any claimant or policyholder of Public Service, or any other person other than the Rehabilitator, except with the written consent of the Rehabilitator, except when the reinsurance agreement, contract, treaty, or certificate expressly and lawfully provides for payment by the reinsurer directly to a claimant or policyholder on behalf of Public Service.

(10) This Court retains jurisdiction in this cause for the purpose of granting such other and further relief as the nature of this cause and the interests of Public Service and Public Service Mutual, its policyholders, claimants, beneficiaries and creditors, or of the public, may require and/or as this Court may deem proper in the premises.

(11) This cause is set for status on MAY 17, 2017 at 9:30 a.m.

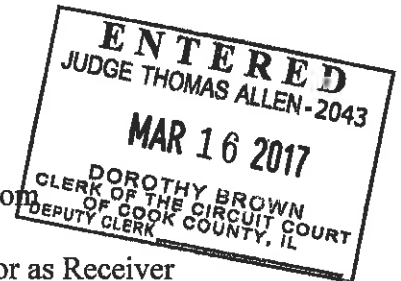
ENTERED:

 2043
Judge Presiding

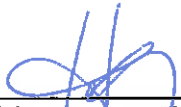
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AGREED TO BY:


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The People of the State of Illinois, *ex rel.*, Jennifer
Hammer, Director of the Illinois Department of Insurance


Thomas D. Cunningham, Sidley Austin LLP on behalf of
Public Service Insurance Company, an Illinois domestic
stock insurance company, and Public Service Mutual
Holding Company, an Illinois domestic mutual holding
company