

**INVITATION FOR BID**  
**FOR**  
**PURCHASE OF OUTSTANDING REINSURANCE ASSETS OF**  
**PINE TOP INSURANCE COMPANY, IN LIQUIDATION**

**Office of the Special Deputy Receiver**

**August 16, 2010**

## **INVITATION FOR BID (“IFB”)**

### **Purchase Of Outstanding Reinsurance Assets**

#### **Background Information:**

Pine Top Insurance Company (Pine Top) is an Illinois domestic stock, property, casualty and fire insurance company. Pine Top commenced business in 1973. Pine Top was licensed in three states and operated on an excess and surplus lines basis in 43 states. Pine Top primarily wrote general liability, umbrella and excess liability, primary and excess fire, as well as a significant amount of assumed reinsurance and facultative coverages. Pine Top was placed in conservation by a court order entered on June 18, 1986. On January 16, 1987, the Circuit Court of Cook County, Illinois entered an Agreed Order of Liquidation with a Finding of Insolvency against Pine Top. The Agreed Order also affirmed the Director of Insurance of the State of Illinois (the “Director”) as the statutory Liquidator of Pine Top.

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 Liquidator has determined it is now in the best interests of the Pine Top 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 Liquidator, the OSD will accept bids to purchase the outstanding reinsurance assets of Pine Top 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 Liquidator’s award of bid will not be final unless and until it is approved by the court supervising Pine Top’s liquidation (the “Supervisory Court”). In presenting his petition for approval of the award, the Liquidator 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](mailto:mcosentino@osdchi.com)  
(312)836-9671

**Schedule of Events:**

This IFB will be governed by the following schedule:

Release of Invitation for Sealed Bid:	August 16, 2010
Deadline to submit executed Nondisclosure Agreement:	August 30, 2010
Deadline for Written Questions:	September 23, 2010
Responses to Questions:	October 18, 2010
Sealed Bids are Due:	November 3, 2010
Bids are Opened:	November 4, 2010
Bid Evaluation Completed:	November 8, 2010
Notification to Winning Bidder:	November 8, 2010

**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 Liquidator. 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](mailto: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. (Chicago Time) on August 30, 2010. 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. (Chicago Time) on August 30, 2010; 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. (Chicago Time) on August 30, 2010.

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 in order that potential bidders may conduct their due diligence of Pine Top's books and records, and a form purchase agreement (the "Purchase Agreement").

Subsequent to the submission of executed Nondisclosure Agreements and their receipt of the data disk, as part of their due diligence 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](mailto:mcosentino@osdchi.com)

Written questions must be actually received on or before 3:00 p.m. (Chicago Time) on September 23, 2010. Written questions received after 3:00 p.m. (Chicago Time) on September 23, 2010, 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 October 18, 2010. Only written answers shall be binding upon the OSD and the Liquidator.

**Submission of Bid and Deposit:**

Sealed bids must be submitted in writing and delivered by mail, courier service, or personal delivery on or before 3:00 p.m. (Chicago Time) on November 3, 2010. Any bid actually received after 3:00 p.m. (Chicago Time) on November 3, 2010, 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; (d) state that the bid is good for 60 days after the bid opening date; (e) include a cashier's check, or other certified funds, in an amount equal to 10% of the purchase price as a deposit; and (f) include a markup of the Purchase Agreement. A bid meeting these six requirements shall be a complying bid ("Complying Bid").

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

### **Evaluation and Award**

The winning bidder (the "Awardee") will be the organization submitting the highest Complying Bid, including a Purchase Agreement the terms of which are acceptable to the Liquidator. Please be advised that the sale of the Book Of Reinsurance Assets will not become final until approved by the Supervisory Court. The Liquidator will also select and notify a backup bidder. In the event the Awardee defaults in closing the transaction, the Liquidator will close with the backup bidder.

In the event of a tie between two or more high bidders, the Liquidator 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 Complying Bid. The Liquidator will also select and notify a backup bidder.

The Liquidator will return the deposits of the non-winning bidders on or before November 15, 2010, except that the backup bidder agrees that the Liquidator may retain its deposit until the conclusion of the transaction.

In the event that the Supervisory Court enters an order disapproving the award, the Liquidator 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, Pine Top shall retain the deposit.

### **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.

All bids must state that: (1) they remain firm for 60 days from opening; (2) the bidder agrees the IFB and any resulting contract shall be governed and interpreted under the laws of the State of Illinois, without reference to the principles governing conflicts of laws; and (3) with respect to any dispute arising from or related to this IFB and any resulting contract between the Awardee and the Liquidator, the OSD or Pine Top, the bidder submits to the exclusive venue and jurisdiction of the Circuit Court of Cook County, Illinois, and waives any right it may have to transfer or change the venue of any litigation.

Disputes between the Awardee, Pine Top, the Liquidator and the OSD arising under or related to this IFB or any resulting contract shall not be subject to arbitration.

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 seek clarification of the bid from you at any time, and failure to respond is cause for rejection. Clarification is not an opportunity to materially change the bid. Submission of a proposal confers on you no right to an award or to a subsequent contract. 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. The IFB process is for the OSD's benefit only and is to provide the OSD with competitive information to assist in the selection process. All decisions on compliance, evaluation, terms and conditions will be made solely at our discretion and made to favor the OSD. 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 Liquidator 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.

You may submit your bid by mail, courier service, or hand-deliver. We do not allow computer, fax, or other electronic submissions. We must actually receive bids as specified. It

will not be sufficient to show that you mailed or commenced delivery before the due date and time. All times are State of Illinois local times.

Your bid will not be confidential. The award of contract is subject to the approval of the Supervisory Court. In presenting his petition for approval of the award, the Liquidator reserves the unqualified right to disclose the names of all bidders, and the amounts and terms of their respective bids.

The balance of the purchase price in excess of the deposit 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.