

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

PEOPLE OF THE STATE OF ILLINOIS, *ex rel.*)
ANDREW BORON, DIRECTOR OF)
INSURANCE OF THE STATE OF ILLINOIS,)
)
Plaintiffs,)
)
v.)
)
LUMBERMENS MUTUAL CASUALTY COMPANY,)
an Illinois domestic property and casualty mutual,)
)
Defendant.)

NO.: 12 CH 24227

**ORDER OF LIQUIDATION
WITH A FINDING OF INSOLVENCY**

THIS CAUSE COMING TO BE HEARD upon the Verified Complaint for Liquidation, filed herein by the PEOPLE OF THE STATE OF ILLINOIS, on the relation of ANDREW BORON, Director of Insurance of the State of Illinois (the "Director"), by and through their attorney, LISA MADIGAN, Attorney General of the State of Illinois, pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187, *et seq.*, against the

Defendant, Lumbermens Mutual Casualty Company (“Lumbermens”); 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:

1. That as to Defendant, Lumbermens:

(A) Sufficient cause exists for the entry of an order for liquidation of the Defendant, Lumbermens, including that Lumbermens is insolvent; and

(B) Pursuant to Section 191 of the Code, 215 ILCS 5/191, this Order creates an estate comprising of all of the liabilities and assets of Lumbermens which, pursuant to the prior order of this Court, have been substantively consolidated with the liabilities and assets of American Manufacturers Mutual Company and American Motorists Insurance Company; and

(C) The Liquidator’s statutory authority includes, without limitation, the following:

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

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

(iii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Liquidator is authorized to remove any and all records and property of Lumbermens to his

possession and control or to such other place as may be convenient for purposes of the efficient and orderly administration of Lumbermens' liquidation; and

(iv) Pursuant to Section 193(1) of the Code, 215 ILCS 5/193(1), the Liquidator is authorized to deal with the property, business and affairs of Lumbermens in his name, as Director, and the Court further Orders that the Liquidator is authorized to deal with the property, business and affairs of Lumbermens either in his name as the Liquidator of Lumbermens, or in the name of Lumbermens, as the case may be; and

(v) Pursuant to Section 193(2) of the Code, 215 ILCS 5/193(2), the Liquidator, without the prior approval of the Court, is authorized to sell or otherwise dispose of any real or personal property of Lumbermens, or any part thereof, and to sell or compromise all debts or claims owing to Lumbermens having a value in the amount of Twenty-Five Thousand (\$25,000.00) Dollars, or less. Any such sale by the Liquidator of the real or personal property of Lumbermens having a value in excess of Twenty-Five Thousand (\$25,000.00) Dollars, and sale or compromise of debts owing to Lumbermens by the Liquidator where the debt owing Lumbermens exceeds Twenty-Five Thousand (\$25,000.00) Dollars shall be made subject to the approval of the Court; and

(vi) Pursuant to Section 193(3) of the Code, 215 ILCS 5/193(3), the Liquidator is authorized to bring any action, claim, suit or proceeding against any director or officer of Lumbermens or against any other person with respect to that person's dealings with the company including, but not limited to, prosecuting any action,

claim, suit, or proceeding on behalf of the policyholders, creditors, or shareholders of Lumbermens; and

(vii) Pursuant to Section 193(7) of the Code, 215 ILCS 5/193(7),

All persons, companies, and entities shall immediately turn over to the Director all unearned premium that has been collected by or on behalf of the company and all earned premium owing the company unless otherwise directed in writing by the Director or by court order.

(viii) Pursuant to Section 194(b) of the Code, 215 ILCS 5/194(b), the Liquidator may, within two (2) years after the entry of this liquidation order 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 said order was entered; and

(ix) Subject to the provisions of Section 202 of the Code, 215 ILCS 5/202, the Liquidator 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 this Court, from the assets of Lumbermens all administrative expenses incurred during the course of the liquidation of Lumbermens; and

(x) Pursuant to Section 203 of the Code, 215 ILCS 5/203, the Liquidator 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

(xi) Pursuant to the provisions of Section 204 of the Code, 215 ILCS 5/204, the Liquidator may seek to avoid preferential transfers of the property of Lumbermens and to recover such property or its value, if it has been converted; and

(D) Pursuant to Section 194 of the Code, 215 ILCS 5/194, and subject to Paragraph 1(B) of this Order, the rights and liabilities of Lumbermens, and of its respective policyholders, creditors and stockholders, and all other persons interested in its assets, except for those persons entitled to file contingent claims or to have their claims estimated, are fixed as of May 10, 2013. The rights of persons entitled to file contingent claims or to have their claims estimated shall be determined as provided in Sections 209(4)(b), (6) and (7) of the Code, 215 ILCS 5/209(4)(b), (6) and (7); and

(E) Pursuant to Section 209(5) of the Code, 215 ILCS 5/209(5), the obligation of Lumbermens, if any, to defend or continue the defense of any claim or suit under a liability insurance policy, including a certificate of insurance, is terminated upon the entry of this order of liquidation.

(F) Pursuant to Section 189 of the Code, 215 ILCS 5/189, this

court shall have jurisdiction, upon, or at any time after the filing of the complaint to issue an injunction restraining such company and its officers, agents, directors, employees and all other persons from transacting any company business or disposing of its property until the further order of the court. The court may also restrain all persons, companies, and entities from bringing or further prosecuting all actions and proceedings at law or in equity or otherwise, whether in this State or elsewhere, against the company or its assets or property or the Director except insofar as those actions or proceedings arise in or are brought in the conservation, rehabilitation, or liquidation proceeding. The court may issue such other injunctions or enter such other orders as may be deemed necessary to prevent interference with the proceedings, or with the Director's possession and control or title, rights or interests as herein provided or to prevent interference with the conduct of the business by the Director, and may issue such other injunctions or enter such other orders as may be deemed necessary to prevent waste of assets or

the obtaining, asserting, or enforcing of preferences, judgments, attachments, or other like liens, including common law retaining liens, or the making of any levy against such company or its property and assets while in the possession and control of the Director.

IT IS HEREBY ORDERED THAT:

A. This Order of Liquidation is entered as to and against Lumbermens, **effective May 10, 2013 at 12:01p.m. C.D.T.**, and the rehabilitation of Lumbermens is hereby terminated; and

B. There being no just reason for delaying enforcement or appeal of this Order, this Order of Liquidation is a final order within the meaning of Illinois Supreme Court Rule 307(a)(5); and

C. Andrew Boron, Director of Insurance of the State of Illinois, and his successors in office, is affirmed as the statutory liquidator (the "Liquidator") of Lumbermens, with all of the powers appurtenant thereto; and

D. Subject to the further orders of the Court, the Liquidator is authorized to take such actions as the nature of the cause and the interests of Lumbermens, its policyholders, creditors and stockholders, or the public may require including, but not limited to, the following:

- (i)** The Liquidator shall proceed to take immediate possession and control of the property, books, records, accounts, business and affairs, and all other assets of Lumbermens, and of the premises occupied by Lumbermens for the transaction of its business, and to marshal and liquidate the assets, business and affairs of Lumbermens pursuant to the provisions of Article XIII of the Code, *supra*, and the Liquidator is further directed and authorized to wind down and terminate the business and affairs of Lumbermens, and to make the continued expenditure of

such wages, rents and expenses as he may deem necessary and proper for the administration of the liquidation of Lumbermens; and

(ii) The Liquidator may both sue and defend on behalf of Lumbermens, or for the benefit of the certificate holders, policyholders and creditors of Lumbermens, in the courts either in his name as the Liquidator of Lumbermens, or in the name of Lumbermens, as the case may be; and

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

**"IN THE MATTER OF THE LIQUIDATION OF
LUMBERMENS MUTUAL CASUALTY COMPANY"**

F. All costs of these proceedings are taxed and assessed against the Defendant, Lumbermens; and

G. Pursuant to its authority under Section 189 of the Code, 215 ILCS 5/189, the Court hereby issues the following mandatory and prohibitive injunctions:

(i) Lumbermens is ordered to deliver to the Liquidator, at his request, copies of all documents in its possession or under its control concerning or related to Lumbermens, and to provide the Liquidator with such information as he may require concerning any and all business and/or professional relationships it may have with accountants, auditors and attorneys; and

(ii) Lumbermens and its directors, officers, agents, servants, representatives, and employees shall give immediate possession and control to the Liquidator of all property, business, books, records and accounts of Lumbermens, and all premises occupied by Lumbermens for the transaction of its business; and

(iii) Lumbermens and its officers, directors, agents, servants, representatives and employees are restrained from transacting any business of Lumbermens, or

disposing of any company property or assets, including books, records and computer and other electronic data, without the express written consent of the Liquidator, or doing or permitting to be done any action which might waste the property or assets of Lumbermens, until the further order of this Court; and

(iv) The officers, directors, agents, servants, representatives and employees of Lumbermens, and all other persons and entities having knowledge of this Order are restrained from bringing or further prosecuting any claim, action or proceeding at law or in equity or otherwise, whether in this State or elsewhere, against Lumbermens, or its property or assets, or the Director or Liquidator, except insofar as those claims, actions or proceedings arise in or are brought in these liquidation 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 Lumbermens, or its property or assets while in the possession and control of the Liquidator, or from interfering in any way with the Liquidator in his possession or control of the property, business, books, records, accounts, premises and all other assets of Lumbermens, until the further order of this Court; and

(v) Lumbermens and its directors, officers, agents, servants, representatives, and employees are restrained from disbursing, or causing to be disbursed, or disposing, or causing to be disposed, any and all accounts and assets of Lumbermens in the possession on any bank, brokerage house, financial institution, or other company, person or entity, and Lumbermens is further restrained from disposing of, or causing to be disposed, or destroying, or causing

to be destroyed, any records pertaining to any business transaction between Lumbermens, and any bank, brokerage house, financial institution, company, person or entity with which Lumbermens has done or is doing business or having in their possession assets which are, or may be, the property of Lumbermens; and

(vi) All agents of Lumbermens, and its agents, servants, representatives and employees, are restrained from returning any unearned premiums or any money in their possession, or under their control, collected from premiums upon policies, contracts or certificates of insurance or reinsurance previously issued by Lumbermens, to their policyholders, certificate holders or others, and all said agents and agents, representatives, employees and servants of Lumbermens are directed to turn over all such funds in their possession or under their control, or to which they may hereafter acquire possession or control, to the Liquidator in gross and not net of any commissions which may be due thereon; and

H. All direct policies and/or certificates of insurance, and bonds heretofore issued by Lumbermens are hereby canceled upon the following terms:

(i) All direct policies and/or certificates of insurance, and bonds which may give rise to "covered claims," as defined in Sections 534.3 and 537.2 of the Code, 215 ILCS 5/534.3 and 537.2, of the Illinois Insurance Guaranty Fund or which may give rise to "covered claims" of a similar organization in any other state, as defined by the provisions of such similar statute in any such other state, shall be cancelled:

a. At 12:01 a.m., local time of the insured, policyholder, or principal of any such direct policy and/or certificate of insurance, or bond on the

thirty-first (31st) day following the effective date of the Order of Liquidation; or

b. Upon the expiration date of any such direct policy and/or certificate of insurance, or bond if the expiration date is less than thirty-one (31) days after the effective date of the Order of Liquidation; or

c. Upon the date the insured, policyholder, or principal of any such direct policy and/or certificate of insurance, or bond replaces the direct policy and/or certificate of insurance, or bond or upon the date the policyholder, insured, or principal on request effects cancellation, if the insured, policyholder, or principal does so prior to the thirty-first (31st) day following the effective date of the Order of Liquidation, whichever is earlier;

ii. All direct policies and/or certificates of insurance which are covered policies or certificates of insurance within the meaning of the Illinois Life and Health Insurance Guaranty Association Law, 215 ILCS 5/531.01 *et seq.*, or any similar life, accident and health insurance guaranty association law of any other state, or the obligations, or any part thereof, of which the Illinois Life and Health Insurance Guaranty Association, or any similar life, accident and health insurance guaranty association organization in any other state, is obligated to assure payment of, shall remain in full force and effect until cancelled, or until they expire in accordance with their terms.

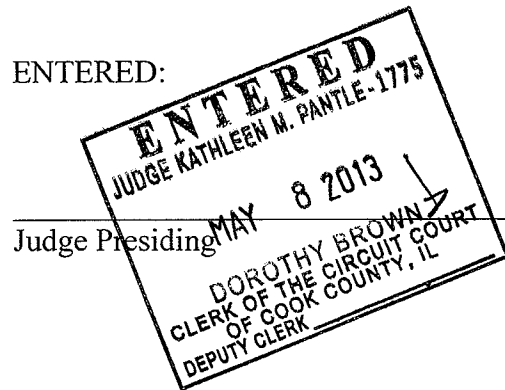
iii. All other direct policies and/or certificates of insurance, and bonds issued by Lumbermens shall be cancelled effective upon the entry date of this Order of Liquidation; and

I. All reasonable operating fees and expenses, including those of accountants, actuaries, lawyers and consultants, incurred prior to the entry of this order may be paid in the normal course of business.

J. This Court retains jurisdiction in this cause for the purpose of granting further relief as the nature of this cause may require and/or as the Court may deem proper in the premises.

K. This cause is set for general status on August 14, 2013, at 10:00a.m.

ENTERED:



Judge Presiding

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