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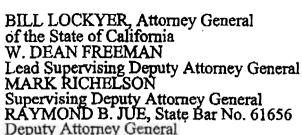
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LOS ANGELES SUPE

APR 2 5 2003

Attorneys for Applicant Insurance Commissioner of the State of California

SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE COUNTY OF LOS ANGELES

INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA.

2201

Applicant.

LEGION INSURANCE COMPANY and VILLANOVA INSURANCE COMPANY. Pennsylvania corporations,

Respondents.

CASE NO. BS 075861

(PROPOSED) ORDER APPOINTING INSURANCE COMMISSIONER AS LIQUIDATOR AND RESTRAINING ORDERS

Date: April 25, 2003 Time: 9:30 a.m.

Dept.: 85

The Verified Application For Order of Liquidation filed by the Insurance Commissioner of the State of California ("the Commissioner"), Applicant, seeking an order of liquidation directed to Legion Insurance Company and Villanova Insurance Company, Respondents, came on for hearing in Department 85 of the Los Angeles County Superior Court.

GOOD CAUSE APPEARING FROM THE COMMISSIONER'S VERIFIED APPLICATION, THIS COURT MAKES THE FOLLOWING FINDINGS:

Respondents Legion Insurance Company and Villanova Insurance Company are insolvent.

> ORDER APPOINTING INSURANCE COMMISSIONER AS LIQUIDATOR AND RESTRAINING ORDERS

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- It would be futile for the Commissioner to continue to proceed as Ancillary 2. Receiver of Respondents.
- 3. There exist sufficient factual and legal grounds for the Commissioner to liquidate the business of Respondents in a manner consistent with the provisions of this Order.

WHEREFORE, GOOD CAUSE APPEARING, THIS COURT MAKES THE **FOLLOWING ORDERS:**

- The Commissioner's status as Ancillary Receiver is terminated and the 1. Commissioner is hereby appointed as Liquidator of Respondents Legion Insurance Company and Villanova Insurance Company, as set forth in Insurance Code § 1016, and directed as Liquidator to liquidate the affairs of Respondents, to conduct the business of Respondents, or so much as may seem appropriate, and directed to act in all ways and exercise all powers necessary for the purpose of carrying out the order, subject to the Pennsylvania receivership;
- 2. The Commissioner as Liquidator is authorized to take possession of all the assets of Respondents, including books, records and property, both real and personal, in California;
- . Title to all property and assets of Respondents, both those presently in Respondents' possession and those which may be discovered later, in California, is vested in the Commissioner as Liquidator or his successor in office, in his capacity as Liquidator and all persons are enjoined from interfering with the Commissioner's possession and title;
- The Commissioner as Liquidator is authorized to pay for his costs in bringing and maintaining this action, and other actions as are necessary to carry out his functions as Liquidator, out of the funds and assets of Respondents and if there are insufficient funds, to pay his costs out of the Insurance Fund, pursuant to Insurance Code § 1035;
 - 5. The Commissioner as Liquidator is authorized to initiate equitable or legal

actions or proceedings in this or other states as may appear to him necessary to carry out his functions as Liquidator;

- 6. The Commissioner as Liquidator is authorized to appoint and employ special deputies, estate managers, other professionals, clerks and assistants and to give each of them the power and authority as he may deem necessary, and the Commissioner as Liquidator is authorized to compensate these persons from the assets of Respondents as he may deem appropriate;
- 7. The Commissioner as Liquidator is authorized to divert, take possession of and secure all mail of Respondents, in order to screen such mail, and to effect a change in the rights to use any and all post office boxes and other mail collection facilities used by Respondents;
- 8. The Commissioner as Liquidator is authorized to pay all reasonable costs of operating Respondents (including direct and allocated direct costs, direct and allocated general and administrative costs and overhead, and other allocated costs) out of funds and assets of Respondents; and if there are insufficient funds, to pay for his costs out of the Insurance Fund, pursuant to Insurance Code § 1035;
- 9. The Commissioner as Liquidator is authorized to pay as expenses of administration all expenses incurred by the Commissioner as Ancillary Receiver which are presently unpaid and the Commissioner as Liquidator is authorized to pay, upon presentation, the full amount of any checks or drafts which have been issued by him, in his capacity as Ancillary Receiver, and which are outstanding;
- 10. The Commissioner as Liquidator, pursuant to Insurance Code § 1037(d), is authorized to dispose of any excess property of Respondents by any commercially reasonable method, including, but not limited to, sales at public auctions or sales in bulk to the high bidder (provided at least (3) independent dealers in the kind of property sold are given notice of the opportunity to bid):
- 11. Respondents and all former and present officers, directors, agents, and employees of Respondents shall deliver to the Commissioner as Liquidator all California

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assets, books, records, equipment, and other property of the Respondents;

- 12. All funds and assets, including certificates of deposit, bank deposits and mutual fund shares, of Respondents, in various financial depository institutions, including banks, savings and loan associations, industrial loan companies, mutual funds or stock brokerages, in California, shall be vested in the Commissioner as Liquidator and subject to withdrawal upon his order only;
- 13. All persons who maintain records for Respondents, regarding California businesses or California policyholders, shall maintain such records and deliver them to the Commissioner as Liquidator upon his request;
- 14. All persons having possession of any lists of policyholders or escrow holders of Respondents in California shall deliver all such lists to the Commissioner as Liquidator, and all persons are enjoined from using any list or any information contained therein without the consent of the Commissioner as Liquidator;
- 15. Respondents and their respective officers, directors, agents, servants, employees, successors, assigns, affiliates, and other persons or entities under their control and all persons or entities in active concert or participation with them, and each of them, shall turn over to the Commissioner as Liquidator records, documentation, charts and/or descriptive material of all funds, assets, property (owned beneficially or otherwise), and all other assets of Respondents in California, and all books and records of accounts, title documents and other documents in their possession or under their control, which relate, directly or indirectly, to assets or property owned by or held by Respondents or to the business or operations of Respondents;
- 16. The Commissioner as Liquidator shall notify promptly all California policyholders of this liquidation order and that coverage by the California Insurance Guarantee Association is effective for thirty (30) days after the entry of such liquidation order, after which time, all California policyholders will be advised to obtain new or replacement policies;
 - 17. All prior injunctions and other orders of this Court, except to the extent

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expressly modified herein, are reaffirmed and remain in full force and effect; all powers and authority granted to the Commissioner as Liquidator by the herein order are in addition to, and not in limitation of, the powers of the Commissioner as Liquidator under the Insurance Code and any other statutory or applicable case law;

- 18. The rights and liabilities of claimants, creditors, shareholders, policyholders, escrow holders and all other persons in California interested in the assets of Respondents, including the State of California, are fixed as of the date of the entry of this order;
- 19. All funds and accounts in the name of Respondents, or the Commissioner as Ancillary Receiver, in various banks or any other institutions in California shall be vested in the Commissioner as Liquidator and subject to withdrawal at his direction only; and this order does not convert funds held in a fiduciary capacity to general assets of the Liquidator;
- 20. Except with leave of this court and/or the Pennsylvania Commonwealth Court issued after a hearing in which the Commissioner as Liquidator has received reasonable notice, all persons are enjoined from obtaining preferences, judgments, attachments or other liens, or making any levy against Respondents or their assets or property, and from executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, levy, execution, or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any property or assets owned or in the possession of Respondents or their affiliates, or the Liquidator, in California and from doing any act interfering with the conduct of business by the Commissioner as Liquidator;
- 21. All persons, except by leave of court obtained after reasonable notice to the Commissioner as Liquidator, are enjoined from accelerating the due date of any obligation or claimed obligation; exercising any right of set-off; taking, retaining, retaking or attempting to retake possession of any real or personal property; withholding or diverting any rent or other obligation; doing any act or other thing whatsoever to

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27 28 interfere with the possession of or management by the Commissioner as Liquidator and of the property and assets, owned or controlled by Respondents or in the possession of Respondents or to in any way interfere with the Commissioner as Liquidator;

- 22. Respondents, their officers, directors, governors, agents and employees are enjoined from transacting any of the business of Respondents, whether in the State of California or elsewhere, or from disposing of, or assisting any person in the transfer or alienation of, the property or assets of Respondents, until further order of this Court;
- All persons are enjoined from instituting, prosecuting or maintaining any action at law or suit in equity, including but not limited to actions or proceedings to compel discovery or production of documents or testimony and matters in arbitration. against Respondents or against the Commissioner as Liquidator of Respondents, except for matters before the California Workers' Compensation Appeals Board, and from attaching, executing foreclosure upon, redeeming of or taking any other legal proceedings against any of the property or assets of Respondents, and from doing any act interfering with the conduct of business by the Commissioner as Liquidator, except upon order from this Court obtained after reasonable notice to the Commissioner as Liquidator:
- Any and all provisions of any agreement entered into by and between any third party and Respondents including, but not limited to, the following types of agreements (as well as any amendments, assignments, or modifications): financial guarantee bonds, promissory notes, loan agreements, security agreements, deeds of trust, mortgages, indemnification agreements, subrogation agreements, subordination agreements, pledge agreements, assignments of rents or other collateral, financial statements, letters of credit, leases, insurance policies, guaranties, escrow agreements, management agreements, real estate brokerage and rental agreements, servicing agreements, attorney agreements, consulting agreements, easement agreements, license agreements, franchise agreements, or employment contracts, that provide in any manner that selection, appointment or retention of a conservator, liquidator or trustee by any court, or entry of an order such as hereby made, shall be deemed to be, or otherwise

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operate as a breach, violation, event of default, termination, event of dissolution, event of acceleration, insolvency, bankruptcy, or liquidation, shall be stayed, and the assertion of any and all rights, remedies relating thereto shall also be stayed and barred, except as otherwise ordered by the Pennsylvania Commonwealth Court, and the Pennsylvania Commonwealth Court shall retain jurisdiction over any cause of action that has arisen or may otherwise arise under any provision;

- 25. All persons are enjoined from interfering with the possession, title and rights of the Commissioner as Liquidator, in and to the property and assets of Respondents, and from interfering with the conduct of the Commissioner as Liquidator in the handling and disposition of the property and assets of Respondents, and from interfering with the conduct of the liquidation of the business of Respondents, except upon order of this Court obtained after reasonable notice to the Commissioner as Liquidator;
 - 26. All persons are enjoined from waste of the assets of Respondent's;
- 27. Any and all claims against Respondents (except those policyholder claims already pending against Respondents, which are deemed filed), including those which in any way affect or seek to affect any of the assets of Respondents, wherever or however such assets may be owned or held, must be filed with the Pennsylvania Department of Insurance.

DATED: 4/25/03

JUDGE OF THE SUPERIOR COURT

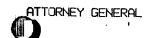
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C: DATARANPLEADINGS/LEGION-ORDER APPTING, INS. COMM'R AS LIQUIDATOR

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PROOF OF SERVICE BY OVERNIGHT DELIVERY

Case Name: Insurance Commissioner of the State of California v.

Legion Insurance Company, et al.

Case No.: Los Angeles County Superior Court Case No. BS075861

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 300 South Spring Street, Los Angeles, California 90013.

On March 25, 2003, I served by overnight delivery the foregoing document described as:

(PROPOSED) ORDER APPOINTING INSURANCE COMMISSIONER AS LIQUIDATOR AND RESTRAINING ORDERS

by placing true copies thereof in a box or other facility regularly maintained by UPS, or delivered to an authorized courier or driver authorized by UPS to receive documents, enclosed in sealed envelope(s) designated by UPS with delivery fees paid or provided for and addressed as follows:

PLEASE SEE ATTACHED SERVICE LIST.

Executed on March 25, 2003, at Los Angeles, California.

XX (State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

(Federal) I declare that I am employed by the office of a member of the bar of this court at whose direction the service was made.

Declarant Declarant

RBJ:gp

Insurance Commissioner of the State of California v. Legion Insurance Company, et al. LASC Case No. BS075861

SERVICE LIST

M. Diane Koken
Insurance Commissioner of the State of
Pennsylvania Department of Insurance
1326 Strawberry Square
Harrisburg, PA 17120

Bruce Daley, Chief
Takeover Management Division
Bureau of Liquidation Administration
Harrisburg Offices - Capital Associates Building
PA Insurance Department
901 North 7th Street
Harrisburg, PA 17102

Angus Ayliffe
Chief Financial Officer and Secretary
Mutual Risk Management, Ltd.
44 Church Street
Hamilton HM 12
Bermuda

California Insurance Guarantee Association 700 N. Brand Blvd., #1400 Glendale, CA 91203



THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED IS A FULL, TRUE AND CORRECT COPY OF THE ORIGINAL ON FILE AND OF RECORD IN MY OFFICE.

APR 2 5 2003

ATTEST____

JOHN A. CLARKE

Executive Officer/Clerk of the Superior Court of California, County of Los Angeles.

By ______ Deput

Edwin Martinez