

THE COURT FINDS:

1. That, by his Verified Complaint, the Director seeks an Order of Conservation against the Defendant, SECURITY LTD., pursuant to Section 188.1 of the Code, 215 ILCS 5/188.1. By his Verified Complaint, the Director alleges that sufficient cause exists under Section 188 of the Code, 215 ILCS 5/188, for the entry of an order of rehabilitation and/or liquidation against the Defendant, SECURITY LTD., including, without limitation, the following facts and circumstances:

- (i) That the Defendant, SECURITY LTD., is in such condition that its further transaction of business would be hazardous to its policyholders, or to its creditors, or to the public; and
- (ii) That the Defendant, SECURITY LTD., has violated and is violating the laws of this State or has exceeded or is exceeding its corporate powers;

2. That, in light of the foregoing facts and circumstances, sufficient cause exists for the entry of an order of conservation, rehabilitation and/or liquidation against the Defendant, SECURITY LTD., and that it is in the best interests of SECURITY LTD.'s policyholders and creditors, and of the general public, that an ex parte Order of Conservation be entered against the Defendant, SECURITY LTD., in accordance with the provisions of Article XIII of the Code, 215 ILCS 5/187, et seq.

IT IS ORDERED:

A. Sufficient cause exists for the entry of an order of conservation, rehabilitation and/or liquidation of the Defendant, SECURITY LTD., and, therefore, an order of conservation is hereby entered as to and against SECURITY LTD.; and,

B. Michael T. McRaith, Director of Insurance of the State of Illinois, and his successors in office, is appointed as Conservator of the Defendant, SECURITY LTD., and the Director, as Conservator, shall immediately take possession and control of the property, books, records, accounts, business and affairs, and all other assets of the Defendant, SECURITY LTD., and its affiliated companies and divisions, and of the premises currently occupied, or hereafter occupied, by SECURITY LTD. for the transaction of its business, pursuant to the provisions of Article XIII of the Code, 215 ILCS 5/187, et seq., and shall conserve the same for the benefit of the policyholders and creditors of SECURITY LTD., and of the public; and, further, the Director shall take such actions as the nature of the cause and the interests of SECURITY LTD., its policyholders and creditors, or the public, may require, subject to the further orders of the Court; and,

C. The Defendant, SECURITY LTD., and its present and former officers, directors, trustees, agents, servants, representatives, employees and any direct and indirect parents, subsidiaries and affiliated companies and divisions, and all other persons and entities, shall give immediate possession and control to the Director of all property, business, books, records, accounts, and all other assets of the Defendant, SECURITY LTD., and its affiliated companies and divisions, and of any and all premises occupied by SECURITY LTD. for the transaction of its business; and,

D. All agents, accountants, auditors, actuaries and attorneys of the Defendant, SECURITY LTD., and its affiliated companies and divisions, shall deliver to the Director, upon request, copies of all documents in their possession or under their control concerning or relating to the Defendant, SECURITY LTD., and its affiliated companies and divisions, and shall provide the Director with such information as he may require concerning any and all business and/or

professional relationships between them and the Defendant, SECURITY LTD., and its affiliated companies and divisions, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of SECURITY LTD., and its affiliated companies and divisions, or its officers, directors, agents, servants, representatives and/or employees, or which SECURITY LTD., and its affiliated companies and divisions, are, or may be, entitled to as the result of their relationship with such agents, accountants, auditors, actuaries and/or attorneys; and,

E. The Defendant, SECURITY LTD., and its officers, directors, agents, servants, representatives and employees, and its affiliated companies and divisions, and all other persons and entities having knowledge of the order prayed for herein, are hereby restrained and enjoined from transacting any business of SECURITY LTD., and of its affiliated companies and divisions, or dealing with, or disposing of, any of SECURITY LTD.'s, and its affiliated companies' and divisions' property or assets, whether real, personal or mixed, without the express written consent of the Director or until further order of the Court; or doing or permitting to be done any action which might waste or conceal the property or assets of SECURITY LTD., or of its affiliated companies and divisions; and,

F. All banks, brokerage houses, financial institutions, investment advisors and any and all other companies, persons or entities having knowledge of the order prayed for herein, having in their possession accounts and any other assets which are, or may be, the property of SECURITY LTD., and its affiliated companies and divisions, are hereby restrained and enjoined from disbursing or disposing of said accounts and assets, without the express written consent of the Director; and, further, the aforesaid companies, persons and entities are hereby restrained and enjoined from disposing of, or destroying, any records pertaining to any business transaction

between SECURITY LTD., and its affiliated companies and divisions, and such banks, brokerage houses, financial institutions, investment advisors, companies, persons or entities having done business, or doing business, with SECURITY LTD., or its affiliated companies and divisions; and that each such company, person or entity shall immediately turn over and deliver possession and control of any and all such accounts, assets and/or records to the Director; and,

G. All agents and brokers of SECURITY LTD., and its affiliated companies and divisions, and their respective agents, servants, representatives and employees, and all other persons and entities having knowledge of the order prayed for herein, are hereby restrained and enjoined from returning any premium, earned or unearned, or any other money in their possession, or under their control, collected in connection with policies, contracts, bonds, certificates of insurance, previously issued, or to be issued, by SECURITY LTD., or its affiliated companies and divisions, to policyholders or others; and said agents and brokers, and their respective agents, servants, representatives and employees, and all other persons and entities, shall immediately turn over all such funds in their possession or under their control, or to which they may hereafter acquire possession or control, to the Director in gross and not net of any commissions which may be due thereon, subject to the provisions of 215 ILCS 5/206; and,

H. The officers, directors, agents, servants, representatives and employees of the Defendant, SECURITY LTD., and its affiliated companies and divisions, and all other persons, companies and entities having knowledge of the order prayed for herein, are hereby restrained and enjoined from: (i) bringing, asserting or further prosecuting any claim, action or proceeding, at law or in equity or otherwise, whether in this State or elsewhere, against SECURITY LTD., or its affiliated companies and divisions, or their property or assets, or against the Director as its Conservator, except insofar as those claims, actions or proceedings arise in or are brought in the

conservation proceedings prayed for herein; (ii) obtaining, asserting or enforcing preferences, judgments, attachments, or other like liens or encumbrances, including common law retaining liens, or the making of any levy against SECURITY LTD., and its affiliated companies and divisions, or their property or assets while in the possession and control of the Director; (iii) interfering, in any way, with the Director's conduct of the conservation of SECURITY LTD.; and (iv) interfering, in any way, with the Director in his possession and control of the property, business, books, records, accounts, premises and all other assets of SECURITY LTD., and its affiliated companies and divisions, until further order of the Court; and,

I. A moratorium is hereby issued and established enjoining and prohibiting the Defendant, SECURITY LTD., and its directors, officers, agents, servants, representatives, employees, parent and affiliated companies and divisions, and all other persons and entities, from paying any claims, loss adjustment expenses or other contractual obligations incurred by the Defendant, SECURITY LTD., and its affiliated companies and divisions, the result of SECURITY LTD., or its affiliated companies and divisions, having issued contracts, policies, bonds or certificates of insurance, except as expressly authorized by the Director, until further order of the Court; and

J. A moratorium is hereby issued and established enjoining and prohibiting the Defendant, SECURITY LTD., and its directors, officers, agents, servants, representatives, employees, parent and affiliated companies and divisions, and all other persons and entities, from paying any contractual obligations of SECURITY LTD., and its affiliated companies and divisions, owing to their creditors and/or vendors, or their respective assignees, or any other persons, except insofar that such payments are necessary in the administration of the

conservation of SECURITY LTD., as contemplated by 215 ILCS 5/202, and as authorized by the Director, until further order of the Court; and,

K. Any and all persons, companies and entities are hereby restrained and enjoined from construing the order prayed for herein as an anticipatory breach of any contract heretofore entered into with the Defendant, SECURITY LTD., and its affiliated companies and divisions; and,

L. The Director, as Conservator, shall ascertain the condition of the Defendant, SECURITY LTD., while he is in possession and control of the property, books, records, accounts, assets, premises, business and affairs of SECURITY LTD., and its affiliated companies and divisions, and shall make periodic reports to the Court as to the nature and condition of the Defendant, SECURITY LTD., while in conservation; and, further, the Director shall file with this Court, for its consideration, reports relating to the administration of the conservation of SECURITY LTD., in accordance with Section 202 of the Code, 215 ILCS 5/202; and,

M. The Director, as Conservator, is authorized to pay from the assets of the Defendant, SECURITY LTD., those expenses incurred during the course of the conservation of SECURITY LTD., including but not limited to, attorneys' fees, accounting fees and consulting fees as administrative expenses, pursuant to and in a manner consistent with the provisions of Section 202 of the Code, supra.; and,

N. All costs of these proceedings shall be taxed and assessed against the Defendant, SECURITY LTD.; and,

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

**“IN THE MATTER OF THE CONSERVATION OF
MIDLAND INSURANCE GROUP, INC., STUDENT PLANS, INC.
AND SECURITY INSURANCE COMPANY, LTD.”**

P. The Court shall retain jurisdiction in this cause for the purpose of granting such other and further relief as the nature of the cause, and the interests of the Defendant, SECURITY LTD., its policyholders, creditors and stockholders, or of the public, may require; and/or as the Court may deem proper in the premises.

ENTERED:

JUDGE MARTIN S. AGRAN
JUL 22 2005
Circuit Court - 1630

Judge Presiding

LISA MADIGAN
Attorney General of the State of Illinois
Attorney for the PEOPLE OF
THE STATE OF ILLINOIS
Michael J. McGivern
Senior Assistant Attorney General
James R. Thompson Center
100 West Randolph Street, 13th Floor
Chicago, Illinois 60601
(312) 814-7200
Attorney Code #99000

OF COUNSEL:
D. Daniel Barr
Dale A. Coonrod
Jennifer A. Donham
Counsel to the Director as Receiver
222 Merchandise Mart Plaza, Suite 1450
Chicago, Illinois 60654
(312) 836-9500
Attorney Code #16819