

Attorney Code # 16819

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

IN THE MATTER OF THE LIQUIDATION)
OF ALLIANCE GENERAL INSURANCE COMPANY) 00 CH 00293

ORDER FIXING
RIGHTS AND LIABILITIES AND
PROVIDING FOR THE FILING OF CLAIMS
AND THE SETTING OF CLAIM FILING DEADLINES

THIS CAUSE COMING ON TO BE HEARD upon the motion of Nathaniel S. Shapo, Director of Insurance of the State of Illinois, as Liquidator (the "Liquidator") of Alliance General Insurance Company ("ALLIANCE") for the entry of an order fixing rights and liabilities and providing for the filing of claims and the setting of claim filing deadlines; due notice having been given, the Court having jurisdiction over the parties hereto and the subject matter hereof, the Court having reviewed the petition filed herein and having heard counsel thereon, and the Court then being otherwise fully advised in the premises:

THE COURT FINDS:

1. That on January 7, 2000, this Court entered an Order of Liquidation With A Finding of Insolvency ("Order of Liquidation") as, to and against ALLIANCE pursuant to Section 188 of the Illinois Insurance Code (the "Code"), 215 ILCS 5/188. The Order of Liquidation appointed the Director of Insurance, and his successors in office, as Liquidator of ALLIANCE and authorized him to take such action as the nature of the cause and the interests of ALLIANCE, its policyholders, creditors and stockholders, and the public, may require.

2. That, pursuant to Section 209(5) of the Code, 215 ILCS 5/209(5), the obligation of ALLIANCE, if any, to defend or continue the defense of any claim or suit under a liability insurance policy was terminated upon the entry of the Order of Liquidation.

3. That the Liquidator has determined that a number of persons, companies and entities have, claim to have, or may have, claims against ALLIANCE, its insureds or policyholders, or its property or assets.

4. That the Liquidator has further determined that, in order to effectively and promptly administer the affairs and assets of ALLIANCE and to protect the interests of its policyholders, creditors and stockholders, and the public, it is necessary that this order be entered pursuant to Sections 194, 208, and 209 of the Code, 215 ILCS 5/194, 5/208 and 5/209, fixing the rights and liabilities of ALLIANCE and of its creditors, policyholders, stockholders or members, and all other persons interested in its property or assets; establishing a procedure for the filing of proofs of claim against the assets of ALLIANCE in order that such claims, if meritorious, may share in any distribution of estate assets; setting a deadline for the filing of any such proofs of claim; and fixing the last date by which evidence supporting the liquidation of timely filed contingent claims may be received by the Liquidator.

IT IS HEREBY ORDERED THAT:

A. The rights and liabilities of ALLIANCE and its policyholders, creditors, stockholders or members, and all other persons interested in ALLIANCE's property or assets were fixed, pursuant to the terms of the Order of Liquidation and Section 194 of the Code, 215 ILCS 5/194, as of January 7, 2000, pursuant to Paragraph D of the Order of Liquidation, or to the extent that persons are entitled to file contingent claims as hereinafter set forth, or unless otherwise provided by subsequent order of the Court.

B. The Liquidator shall notify all persons, companies and entities, as hereinafter set forth in Paragraphs (C) and (D), which ALLIANCE's books and records reveal have, or may have, claims against ALLIANCE, its property or assets, or against an ALLIANCE insured or policyholder, that all such claims must be presented to and filed with the Liquidator, or a duly authorized Ancillary Receiver of ALLIANCE, in the form of a proper proof of claim as hereinafter set forth, on or before January 8, 2001 at 4:30 p.m. C.D.T. Said notice by the Liquidator shall specify January 8, 2001 at 4:30 p.m. C.D.T. to be the last day by which any such proof of claim may actually be received by the Liquidator, or a duly authorized Ancillary Receiver of ALLIANCE, for the purposes of participating in any distribution of assets that may be made on timely filed claims which are allowed in these proceedings. Said notice shall further specify that for purposes of these claim filing procedures the terms "presented to and filed with the Liquidator" and "actually received by the Liquidator" mean that in order for a

proof of claim to be timely filed the Liquidator must have actual physical custody of the proof of claim form.

C. A notice of the claim filing procedures and claim filing deadlines shall be served upon those persons, companies and entities which ALLIANCE's books and records reveal have, or may have, claims against ALLIANCE, its property or assets, or against a ALLIANCE insured or policyholder, by the Liquidator depositing a copy of said notice, together with a proof of claim form, in the United States mail, enclosed in an envelope, with first class postage prepaid, addressed to each such person, company or entity at his, her or its last known address as disclosed by ALLIANCE's books and records.

D. The Liquidator shall also provide notice by publication to all persons, companies or entities who have, or may have, claims against ALLIANCE, its property or assets, or against its insureds or policyholders, by causing a notice to be published at least once each week for three consecutive weeks in a newspaper of general circulation published in the County of Cook, State of Illinois, and in such other newspaper(s) and/or publication(s) as he may deem advisable. The notice so published shall: (a) advise all such persons, companies and entities of their right to present their claim or claims against ALLIANCE, its property or assets, or against a ALLIANCE insured or policyholder, to the Liquidator; (b) advise all such persons, companies and entities of the procedure by which they may present their claims to the Liquidator; (c) advise all such persons, companies and entities of the location of the Liquidator's office where they may present their claims; and (d) specifying the last day by which proofs of claims may actually be received by the Liquidator for purposes of participating in any distribution of assets that may be made on timely filed claims allowed in these proceedings. Said notice shall further specify that for purposes of these claim filing procedures the term "actually received by the Liquidator" means that in order for a proof of claim to be timely filed the Liquidator must have actual physical custody of the proof of claim form.

E. All persons, companies or entities having, or claiming to have, any accounts, debts, claims or demands against ALLIANCE, its property or assets, or against an ALLIANCE insured or policyholder, to present its claims to the Liquidator at his office as designated in the above described notice, on or before the claim filing deadline set forth in Paragraph (B) above, by way of a properly completed proof of claim. A proof of claim must consist of a statement, under oath, in writing, signed by the claimant, setting forth a specific claim, the consideration therefore, and whether any, and if so what, payments have been made

thereon, and that the sum so claimed is justly owing from ALLIANCE to the claimant; and whenever a claim is founded upon an instrument in writing, such instrument, unless lost or destroyed, shall be filed with the proof of claim and, if such instrument is lost or destroyed, a statement of such fact and the circumstances of such loss or destruction shall be filed under oath with the claim.

F. Pursuant to Section 209(4) of the Code, 215 ILCS 5/209(4), any insured under an insurance policy issued by ALLIANCE shall have the right to present the Liquidator with a proof of claim setting forth a contingent claim, subject to the claim filing deadline set forth in Paragraph (B) above. The final date by which evidence supporting the liquidation of any such contingent claim may be received by the Liquidator shall be January 8, 2002 at 4:30 p.m. C.D.T.; and no such contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made at the fourth priority level, 215 ILCS 5/205(1)(d), unless such claim has been liquidated and the insured claimant has presented evidence of payment of such claim to the Liquidator on or before January 8, 2002 at 4:30 p.m. C.D.T. Further, any contingent claim for which a proof of claim was received by the claim filing deadline set forth in Paragraph (B) above, but which is not liquidated by January 8, 2002, may be estimated pursuant to Section 209(4)(b) of the Code, 215 ILCS 5/209(4)(b), for purposes of participating in any distribution of estate assets that may be made at the fifth priority level, 215 ILCS 5/205 (1)(e), unless the Court has issued an order pursuant to 215 ILCS 5/209(12) relieving the Liquidator of his responsibility to review the unliquidated contingent claims based upon the Liquidator's report to the Court that the assets of the estate will not be sufficient to pay claims at the fifth priority level, 215 ILCS 5/205(1)(e).

G. Pursuant to Section 209(5) of the Code, 215 ILCS 5/209(5), which provides that the obligation of ALLIANCE, if any, to defend or continue the defense of any claim or suit under a liability policy was terminated upon the entry of the Order of Liquidation, an insured of ALLIANCE may include in their contingent claims reasonable attorneys' fees for services rendered subsequent to the entry of the Order of Liquidation in the defense of claims or suits covered by the insured's liability insurance policy, provided that all such attorneys' fees have actually been paid by the insured and evidence of such payment has been presented in the manner required for the liquidation of an insured's contingent claim as set forth in Paragraph (F) above.

H. Any person, company or entity having a cause of action against an ALLIANCE insured under an insurance policy issued by ALLIANCE, whose claim was a contingent claim

as of the entry of the Order of Liquidation, may file its claim as set forth in Paragraph (B) above, and such claim may be allowed: (a) if it may be reasonably inferred from the proof presented upon the claim that the claimant would be able to obtain a judgment upon the cause of action against such insured; (b) if such person, company or entity has furnished suitable proof, unless the Court for good cause shown shall otherwise direct, that no further valid claims against ALLIANCE arising out of the cause of action other than those already presented can be made; and (c) if the total liability of ALLIANCE to all claimants arising out of the same act shall be no greater than its total liability would be were it not in liquidation.

I. Subject to the provisions for the late filing of claims contained in Sections 208(2) and 208(3) of the Code, 215 ILCS 5/208(2)-(3), and Section 545(b) of the Code, 215 ILCS 5/545(b), which exempts the Illinois Insurance Guaranty Fund and any similar organization in another state from the requirements of Sections 208 and 209 of the Code, *supra*, no person having or claiming to have any claim or claims against ALLIANCE shall participate in any distribution of the assets of ALLIANCE unless such claims are filed or presented in accordance with and within the time limits established by the order prayed for herein.

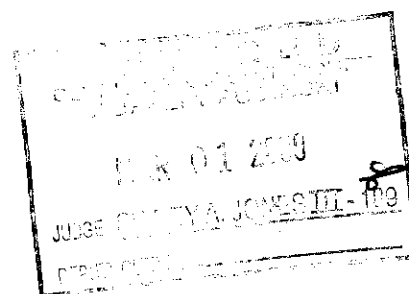
J. The Liquidator, pursuant to Section 209 of the Code, 215 ILCS 5/209, and subject to the further order of the Court, shall examine and investigate any and all properly filed proofs of claim and submit his recommendations as to the allowance or disallowance, in whole or in part, of each such claim to the Court, unless it is reported to the Court that the assets of the estate will not be sufficient to pay claims at a certain level of priority under 215 ILCS 5/205, and the Court therefore exempts the Liquidator pursuant to 215 ILCS 5/209(12) from the evaluation or adjudication of any claims at the designated level of priority. Upon the filing of such report on claims recommendations pursuant to 215 ILCS 5/209(13), and any hearing on any objections thereto, the Court shall thereupon take further action as justice may require.

K. The Liquidator shall not pay the claims of any creditors, policyholders, insureds or other claimants of ALLIANCE required to file proofs of claim until the deadlines for the timely presentment of proofs of claim to the Liquidator and the submission of evidence for the liquidation of insureds' contingent claims have both passed, and the Liquidator has estimated all unliquidated contingent claims, or the Court has entered an order pursuant to 215 ILCS 5/209(12) as set forth in Paragraph (F) herein, and all such claims have been allowed or

disallowed, in whole or in part, by order of the Court, unless payment of such claims is hereafter authorized or approved by the Court, or payment is made to the Illinois Insurance Guaranty Fund or to any similar organization in another state pursuant to Section 205(2) of the Code, 215 ILCS 5/205(2).

ENTERED:

Judge Presiding



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