

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

**IN THE MATTER OF THE LIQUIDATION )  
OF GALLANT INSURANCE COMPANY ) NO. 02 CH 04056  
AND VALOR INSURANCE COMPANY )**

**ENTERED**  
AUG 27 2002  
JUDGE  
ROBERT V. BOHARIC - 181

**ORDER APPROVING  
APPEAL PENDENCY PLANS**

This cause having been heard on the petition of Nathaniel S. Shapo, Director of Insurance for the State of Illinois ("Director"), acting in his capacity as the statutory and Court-affirmed Liquidator of Gallant Insurance Company ("Gallant") and Valor Insurance Company ("Valor"), for approval of his Appeal Pendency Plans; the Court having jurisdiction over the parties hereto and the subject matter hereof; the parties having received due notice; the Court having reviewed the Director's proposed Appeal Pendency Plans, and the Court having been otherwise advised in the premises:

**THE COURT HEREBY FINDS:**

1. The Director has determined that Gallant and Valor are insolvent, and that Gallant and Valor's assets are insufficient to satisfy all of their insurance policy claims obligations, which contentions have been denied by Defendants.
2. The Director has filed a Verified Complaint for Liquidation With A Finding of Insolvency against Gallant and Valor.

3. The Court has granted the Director's motion for judgment on the pleadings based on Gallant and Valor's Consent to Liquidation, one of the grounds for liquidation alleged in the complaint, and has denied the Director's motion for judgment on the pleadings with respect to the grounds of insolvency and hazardous condition.

4. The Court also entered Orders of Liquidation as to and against Gallant and Valor on August 9, 2002 in accordance with the provisions of Article XIII of the Illinois Insurance Code, 215 ILCS 5.187 *et seq.*, but stayed the orders for fourteen days.

5. The Director further avers, pursuant to 215 ILCS 5/190.1, that Gallant and Valor's respective financial conditions will not, in the judgment of the Director, support the full performance of all policy claim obligations during the appeal pendency period.

6. The Director further avers that the payment of any current claim obligation, or claim related expenses, during the pendency of the appeal of the Liquidation Orders, would result in an improper preference of one policyholder's claim over other policyholders' claims.

7. The Director further avers that, in order to assure fair and equitable treatment of similarly situated policyholders and persons with claims against those policyholders, no payments should be made on claims, or claim related expenses, other than distributions pursuant to the statutory proof of claim procedure, provided that the hardship exception to the claims moratorium, which was in effect during the conservation, should be continued during the pendency of the appeal of the Orders of Liquidation. All other policyholder claim obligations should first be determined so that a fair and equitable distribution of Gallant and Valor's assets may be made to all of their respective policyholders and creditors.

8. The Director believes that the Appeal Pendency Plans are fair and equitable in light of Gallant and Valor's current financial condition, and that such Plans serves the best interests of Gallant and Valor and all of their respective policyholders and creditors.

**IT IS THEREFORE ORDERED:**

That the Appeal Pendency Plans attached to the Director's instant petition as Exhibits "C" and "D" are hereby approved, and the Director is hereby authorized and directed to proceed as set forth therein.

ENTERED:

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JUDGE PRESIDING

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

**IN THE MATTER OF THE LIQUIDATION    )  
OF GALLANT INSURANCE COMPANY        )       NO. 02 CH 04056**

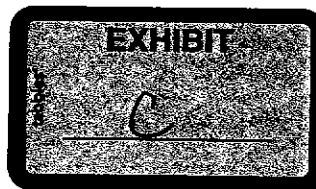
**APPEAL PENDENCY PLAN  
FOR GALLANT INSURANCE COMPANY, IN LIQUIDATION**

Pursuant to Section 190.1 of the Illinois Insurance Code (the "Code"), 215 ILCS 5/190.1, Nathaniel S. Shapo, Director of Insurance for the State of Illinois, in his capacity as statutory and court-affirmed Liquidator (the "Director" or "Liquidator") of Gallant Insurance Company ("Gallant"), hereby adopts the following Appeal Pendency Plan for the continued performance of Gallant's former insurance policy claims obligations during the pendency of the appeal<sup>1</sup> of the Order of Liquidation entered on August 9, 2002 by the Circuit Court of Cook County, Illinois, in the action entitled In the Matter of the Liquidation of Gallant Insurance Company, No. 02 CH 04056 (the "Supervising Court").

1. The purpose of this Plan is to establish a special claims and administrative procedure during the appeal of the Order of Liquidation.
2. The Director, having determined that Gallant is insolvent, and that there are insufficient assets in the estate of Gallant to pay all of the claims of or against Gallant's policyholders in full, shall continue the performance of Gallant's policy claims obligations during the pendency of the appeal as follows:

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1. On August 14, 2002, Gallant filed a notice of appeal of this Court's August 9, 2002 Order of Liquidation.



(a) Pursuant to the applicable provisions of the Orders of this Court and the Illinois Insurance Code, fixing the rights and liabilities of Gallant and its policyholders and creditors as of the entry of the Order of Liquidation (Par. C. of the Order of Liquidation; 215 ILCS 5/194), and terminating Gallant's obligation to defend or continue the defense of any claim or suit under a liability policy (Par. D. of the Order of Liquidation; 215 ILCS 5/209(5)), the Director shall not pay claims, or claim related expenses, other than distributions pursuant to the statutory proof of claim procedure, provided that the hardship exception to the claims moratorium, which was in effect during the conservation, shall be continued during the pendency of the appeal of the Order of Liquidation. All other claims of policyholders and creditors must first be determined so that a fair and equitable distribution of the assets of Gallant may be made to all of its respective policyholders and creditors. "Hardship claims" are defined as follows:

A claim that is determined, at the sole discretion of the Liquidator, and without further order of the Court, and subject to sufficient and reasonable proof being presented, to be a covered claim for significant economic loss arising out of the use of a vehicle by an insured driver which requires immediate relief and no other economic resource is reasonably available to the claimant to meet that loss. This would include, but is not limited to:

- (i) Claims by or against a Gallant insured, and corresponding loss adjustment expenses related thereto, if necessary and appropriate, associated with the covered loss of use of a vehicle due to mechanics liens, or otherwise,

when such vehicle is reasonably necessary for employment or other essential needs; and

(ii) Third-party claims against a Gallant insured which have resulted in judgment(s) against such insured, and which have further resulted in the Secretary of State, in this or any other State, having revoked or suspended the drivers license of such insured, when that drivers license is reasonably necessary for the insured's employment or other essential needs.

(b) In order to determine the totality of Gallant's claim and claim related obligations, the Director shall, during the pendency of the appeal of the Order of Liquidation, perform the following duties in accordance with 215 ILCS 5/208:

(i) Seek an order from the Supervising Court setting forth claim filing procedures and claim filing deadlines.

(ii) In order to afford all persons who may have claims against Gallant, or a Gallant policyholder, with the opportunity to assert those claims so that they may participate in any distribution of Gallant's assets, the Director shall send notice, along with Proof of Claim Forms, to all persons who may have claims against Gallant or its policyholders, as disclosed by Gallant's books and records, advising such persons of the procedures for asserting their claims, and of claim filing deadlines established by the Supervising Court.

(c) The Director shall perform those services required by statute regardless of whether Gallant is ultimately liquidated or rehabilitated, *see* Sections 192 and 193 of the Code, 215 ILCS 5/192 and 5/193, including the administration of the estate and the marshalling of assets.

(d) The Director may, subject to the approval of the Supervising Court, modify this Plan as may be appropriate under the circumstances.

(e) This Plan shall become effective upon the approval of the Supervising Court and shall terminate, without further action, notice or order of this Court, upon the final termination of any appeal of the Order of Liquidation.

Nathaniel S. Shapo, Director of Insurance  
For the State of Illinois, as Liquidator of  
Gallant Insurance Company

BY: Cathleen Travis  
Cathleen M. Travis  
Special Deputy Receiver

Dated: 8/21/02