

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

IN THE MATTER OF THE REHABILITATION  
OF LIFE SERVICES NETWORK TRUST

FILED  
NO. 09 CH 38699  
CLERK OF THE CIRCUIT COURT  
JAN 23 2010

10 FEB 23 PM 1:25  
NOTICE OF MOTION

To: See Attached Service List

CLERK  
DOROTHY BRODWIN

On March 4, 2010, at 10:00 a.m. or as soon thereafter as counsel  
may be heard, I shall appear before the Honorable Sophia H. Hall or any Judge sitting in that  
Judge's stead, in the courtroom usually occupied by him/her, located in room 2301 of the Richard J. Daley Center,  
50 W. Washington Street, Chicago, Illinois, and present  
the attached petition at which time you may appear.

Name	<u>Dale A. Coonrod</u>	Atty. No.	<u>16819</u>
Address	<u>222 Merchandise Mart Plaza, Suite 1450</u>	Attorney for	<u>Plaintiff/Rehabilitator</u>
Telephone	<u>312-836-9500</u>	City/Zip	<u>Chicago, IL 60654</u>

PROOF OF SERVICE BY DELIVERY

I, Richard C. Abron, the non attorney\* certify that on the 23<sup>rd</sup> day of  
February, 2010, I served this notice by delivering a copy personally to each person to whom it is directed.

Under penalties as provided by law pursuant to 735 ILCS 5/1-109  
I certify that the statements set forth herein are true and correct.

Date February 23, 2010

Richard C. Abron  
Signature/Certification

PROOF OF SERVICE BY MAIL

I, \_\_\_\_\_, the attorney/non attorney\* certify that I served this notice by mailing  
a copy to each party listed at their respective addresses  
(address on envelope)  
and depositing the same in the U.S. Mail at Merchandise Mart Plaza, Suite 1450, Chicago, Illinois  
(place of mailing)  
at, or before, \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_, with proper postage prepaid.

Under penalties as provided by law pursuant to 735 ILCS 5/1-109  
I certify that the statements set forth herein are true and correct.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature/Certification

NOTE: If more than one person served by mail, additional proof of service may be on the reverse side.

Copy received \_\_\_\_\_, at \_\_\_\_\_ a.m./p.m.

**SERVICE LIST**

**LIFE SERVICES NETWORK TRUST**  
**(Case No. 09 CH 38699)**

**COURTESY COPY TO:**

THE HONORABLE JUDGE SOPHIA H. HALL  
ROOM 2301  
THE RICHARD J. DALEY CENTER  
50 WEST WASHINGTON STREET  
CHICAGO, ILLINOIS 60602

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

IN THE MATTER OF THE REHABILITATION OF )  
LIFE SERVICES NETWORK TRUST ) No. 09 CH 38699

**PETITION TO SET HEARING DATE  
AND APPROVE NOTICE RESPECTING  
PROPOSED PLAN OF REHABILITATION**

NOW COMES Michael T. McRaith, Director of Insurance of the State of Illinois (“Rehabilitator” or “Director”), in his capacity as Rehabilitator of Life Services Network Trust (“LSN Trust” or the “Trust”), and petitions this Honorable Court for the entry of an order: (i) setting a hearing date for the Rehabilitator’s motion to approve a Plan of Rehabilitation, and (ii) approving the form and manner of notice respecting such hearing date. In support of this petition, the Rehabilitator states as follows:

1. On November 12, 2009, the Court entered an Agreed Order of Rehabilitation With Finding of Insolvency (“Order of Rehabilitation”) respecting LSN Trust, pursuant to Article XIII of the Illinois Insurance Code, 215 ILCS 5/187 *et seq.* (“the Code”). The Court’s Order of Rehabilitation appointed the Director of Insurance of the State of Illinois and his successors in office as Rehabilitator of LSN Trust, and authorized the Director to take such actions as the nature of the cause and the interests of LSN Trust’s policyholders, beneficiaries, members, creditors, and the public, may require.

2. Section 192(4) of the Code, 215 ILCS 5/192(4) contemplates the implementation of a plan of rehabilitation, as follows:

(4) If at any time the Director finds that it is in the best interests of policyholders, creditors and the company to effect a plan of mutualization or rehabilitation, the Director may submit such plan to the court for its approval.

3. Since the commencement of these receivership proceedings, the Rehabilitator has examined the condition of LSN Trust, financially and otherwise, and has determined that it is in the best interests of LSN Trust's policyholders, beneficiaries, members and creditors, and of the Trust itself, to effect a plan of rehabilitation which would provide for the payment of claims both currently outstanding and into the future. The Rehabilitator has examined the Trust's current claim liabilities and future claim liabilities as predicted by a certified actuary previously engaged by LSN Trust. The Rehabilitator has overseen the collection of payments made by members and beneficiaries of LSN Trust in response to assessments made upon them in accordance with the LSN Trust Agreement. The Rehabilitator has entered into payment plans with certain Trust members which will result in a flow of assets into the LSN Trust over time. The Rehabilitator has examined the cost and expenses associated with the administration of LSN Trust, the processing of claims and the administration of the receivership proceedings. Based upon his examination, the Rehabilitator has concluded that LSN Trust's existing assets, combined with future assessment payments, may provide sufficient assets to substantially satisfy the claim liabilities, current and future, of LSN Trust. In order for such an undertaking to be successful certain concessions will be required of the LSN Trust policyholder, members, beneficiaries and creditors. In these regards, the Rehabilitator has developed a Plan of Rehabilitation, a copy of which is attached hereto as Exhibit "A". The Rehabilitator recommends to the Court that the proposed Plan of Rehabilitation be approved and implemented.

4. Section 192(4) of the Code (215 ILCS 5/192(4)) authorizes the Director to submit a rehabilitation plan to the court for its approval, and further provides that:

Notice of the hearing upon any such plan shall be given in the manner as may be fixed by the court and upon such hearing the court may either approve or disapprove the plan or modify it in such manner and to such extent as the court shall deem appropriate.

5. The Rehabilitator recommends to the Court that notice of the proposed plan of rehabilitation and of the court hearing related thereto should be given to all former insured members of LSN Trust who may still have an interest in and/or obligations to the Trust. A copy of a form NOTICE OF HEARING to be used in these regards is attached hereto as Exhibit "B".

WHEREFORE, the Rehabilitator moves this Court to set a hearing date for approval of the Plan; enter an order approving the notice of such hearing date in the form attached hereto as Exhibit B; and ordering the Rehabilitator to provide such notice to the former insured members of LSN Trust who still have an interest in and/or obligations to LSN Trust.

Respectfully submitted,

Michael T. McRaith,  
Director of Insurance of the State of Illinois,  
as Rehabilitator of Life Services Network Trust

By: 

One of His Attorneys

D. Daniel Barr  
Dale A. Coonrod  
Counsel to the Receiver  
Office of the Special Deputy Receiver  
222 Merchandise Mart Plaza, Suite 1450  
Chicago, IL 60654  
312-836-9500  
Attorney Code # 16819

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

IN THE MATTER OF THE REHABILITATION )  
OF LIFE SERVICES NETWORK TRUST ) No. 09 CH 38699

LIFE SERVICES NETWORK TRUST  
PLAN OF REHABILITATION

In accordance with the applicable provisions of Article XIII of the Illinois Insurance Code, 215 ILCS 5/187, et seq., the following Plan of Rehabilitation (“Plan”) shall govern the rehabilitation of Life Services Network Trust (“LSN Trust”), until further order of the Court dictating otherwise.

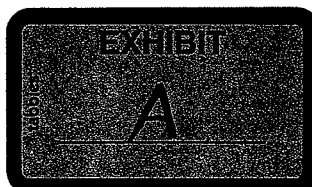
PART I  
DEFINITIONS

1.01 The following definitions apply in this Plan:

- a) “Rehabilitator” shall mean Michael T. McRaith, Director of Insurance of the State of Illinois, and his successors in office, acting solely in his capacity as the statutory and court affirmed Rehabilitator of LSN Trust.
- b) “Supervising Court” shall mean the Circuit Court of Cook County, Illinois County Department, Chancery Division, Calendar 14, the Honorable Sophia H. Hall currently presiding.

PART II  
ADMINISTRATION

2.01 All costs and expenses of the administration of the rehabilitation of LSN Trust shall be paid from the assets of LSN Trust and thereafter reported to the Supervising Court by the Rehabilitator in his *Statements of Changes in Cash and Invested Assets* filed with the Clerk of the Circuit Court on a quarterly basis. These administrative expenses shall include, but not be limited to, fees and expenses of any attorneys, actuaries, accountants, consultants and other



persons or entities which may have been, or may in the future be, retained by the Rehabilitator to assist in the administration of the rehabilitation of LSN Trust in accordance with and pursuant to Section 202 of the Illinois Insurance Code, 215 ILCS 5/202.

2.02 The Rehabilitator shall marshal the assets of LSN Trust during the pendency of this Plan to provide a maximum distribution or distributions of estate assets to the policyholders, beneficiaries, members and creditors of LSN Trust. The Rehabilitator shall be empowered, within the parameters of 215 ILCS 5/192, to compromise and settle all doubtful, disputed or uncollectible debts or claims owing to LSN Trust upon such terms and conditions as he may consider prudent. All such debts and claims so compromised and settled by the Rehabilitator shall be reported to the Supervising Court in the Rehabilitator's *Statements of Changes in Cash and Invested Assets*. The Rehabilitator shall have all power and authority conferred upon rehabilitators in accordance with the Illinois Insurance Code, including but not limited to all powers and authority conferred pursuant to 215 ILCS 5/192 and 215 ILCS 5/202.

2.03 The Rehabilitator shall collect assessments which have been imposed, or in the future may be imposed, upon the LSN Trust members. The Rehabilitator may utilize the services of consultants, as contemplated in Section 2.01 above, to assist him in these regards if deemed proper and necessary. The assessed members shall have the option of paying their assessments as follows:

- (i) Pay immediately upon billing and receive a five percent (5%) discount.
- (ii) Pay in two equal yearly installments with no interest.
- (iii) Pay monthly over two years with a 1% finance charge.
- (iv) Pay monthly over three years with a 2% finance charge.

2.04 As to past due and unpaid assessments by any LSN Trust member, the Rehabilitator shall have the authority to retain attorneys, in accordance with 215 ILCS 5/202, to pursue collection of such unpaid assessments. The Rehabilitator shall compensate any such attorneys as may be approved by order of the Supervising Court. Payment to such attorneys for services rendered shall be deemed a cost of administration and reported to the Supervising Court by the

Rehabilitator in his *Statements of Changes in Cash and Invested Assets* filed with the Clerk of the Circuit Court on a quarterly basis.

2.05 The Agreed Order of Rehabilitation With a Finding of Insolvency (“Order of Rehabilitation”) entered by the Supervising Court on November 12, 2009, and the injunctive provisions therein shall continue in full force and effect, unless otherwise specifically addressed in this Plan.

2.06 During the pendency of this Plan, the Rehabilitator shall continue to review the condition of LSN Trust and shall report the same to the Supervising Court from time to time, along with the report of his activities under the Plan.

PART III  
POLICY OBLIGATIONS

3.01 During the pendency of this Plan, LSN Trust shall not issue or renew direct policies of insurance.

3.02 The moratorium on the payment of claims established by the Supervising Court’s Order of Rehabilitation (Paragraph D) and the exceptions to such moratorium (Paragraph E) are hereby superseded by the provisions of this Plan as set forth herein below.

3.03 With respect to claims of policyholders or insureds of LSN Trust properly made under, or contemplated by, any liability policy issued by LSN Trust, including any workers’ compensation policies, the Rehabilitator shall handle such claims in the normal course as if LSN Trust were not in receivership; as follows:

- a) LSN Trust shall pay such claims, including temporary partial disability and temporary disability claims, during the pendency of this Plan, subject to Paragraphs 3.05 and 3.06 hereof.

b) LSN Trust shall defend or continue the defense of any such claim or action during the pendency of this Plan and shall pay all loss adjustment expenses, including defense attorneys' fees related thereto and actually incurred during the pendency of this Plan. LSN Trust shall also pay, subject to Paragraphs 3.05 and 3.06 hereof, all settlements of any such claim or action authorized by LSN Trust and all final judgments issued upon the merits of such claims or actions made by a court or Workers' Compensation Commission Board of competent jurisdiction, from which no appeal has been taken and from which no further appeal may be taken, provided, however that LSN Trust shall have no obligation to pay those authorized settlements and/or judgments:

- (i) procured by fraud or misrepresentation;
- (ii) procured by collusion involving the insured and/or his representatives and a third person;
- (iii) taken by default against the insured;
- (iv) not incurred and/or finalized during the pendency of this Plan; and/or
- (v) upon which such claim or action LSN Trust has a meritorious policy defense.

3.04 In order to fulfill its obligation to provide a defense to policyholders or insureds of LSN Trust as contemplated in Section 3.03 above, the Rehabilitator shall have the authority to retain attorneys, in accordance with 215 ILCS 5/202. The Rehabilitator shall compensate any such attorneys at hourly rates as may be approved by order of the Supervising Court. Payment to such attorneys for services rendered shall be deemed a cost of administration and reported to the Supervising Court by the Rehabilitator in his *Statements of Changes in Cash and Invested Assets* filed with the Clerk of the Circuit Court on a quarterly basis.

3.05 Notwithstanding LSN Trust's policy obligations under liability policies issued by LSN Trust or under any obligations contemplated by this Plan, LSN Trust shall initially be obligated to pay only seventy percent (70%) of the amount of claims properly made and authorized for payment by LSN Trust. Subject to the approval of the Supervising Court, additional payments may thereafter be made on those obligations if the Rehabilitator determines that LSN Trust has funds sufficient to make such additional payments.

3.06 The Rehabilitator may utilize the services of third party claim administrators, as contemplated in Section 2.01 above, to assist him in the fulfillment of LSN Trust's policy obligations if deemed proper and necessary.

PART IV  
CLAIM PAYMENT AND CREDITOR OBLIGATIONS  
INCURRED PRIOR TO LSN TRUST'S RECEIVERSHIP

4.01 All outstanding claim obligations and unpaid fees and expenses owing to policyholders, insureds, third persons with claims against policyholders and/or insureds, service providers, attorneys and any and all other creditors, incurred by LSN Trust and resulting from or arising out of the provision of benefits and services contemplated by the policies issued by LSN Trust prior to the commencement of LSN Trust's receivership proceedings shall be paid by LSN Trust immediately following the entry of an order approving this Plan of Rehabilitation.<sup>1</sup> However, LSN Trust shall initially be obligated to pay only seventy percent (70%) of the amount of the pre-receivership claim and creditor obligations authorized for payment by LSN Trust. Subject to the approval of the Supervising Court, additional payments may thereafter be made on those obligations if the Rehabilitator determines that LSN Trust has funds sufficient to make such additional payments.

PART V  
PREFERENCES UNDER THIS PLAN

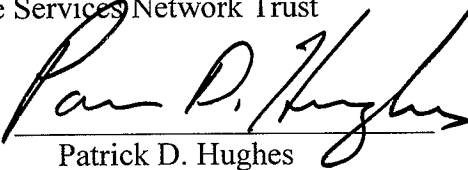
5.01 Any acts or omissions of the Rehabilitator in connection with this Plan of Rehabilitation shall not be construed or considered to be a preference within the meaning of Section 204 of the Code, 215 ILCS 5/204, notwithstanding the fact that any such act or omission may cause a policyholder, beneficiary, member, third party or other creditor to receive a greater percentage of debt owed to or by LSN Trust than any other policyholder, beneficiary, member, third party or other creditor in the same class.

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<sup>1</sup> The Life Services Network Trust was initially placed into receivership by way of the Supervising Court's Order of Conservation of Assets entered as to and against LSN Trust on October 13, 2009. On November 12, 2009, the Supervising Court entered an Agreed Order of Rehabilitation With a Finding of Insolvency respecting LSN Trust.

Respectfully submitted,

Michael T. McRaith  
Director of Insurance of the  
State of Illinois, as Rehabilitator of  
Life Services Network Trust

By: 

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Special Deputy Receiver

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