

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

PEOPLE OF THE STATE OF ILLINOIS, et seq.,)
STEPHEN F. SELCKE, DIRECTOR OF)
INSURANCE OF THE STATE OF ILLINOIS,)
)
Plaintiffs,)

v.)

NO. 92 CH 12196

HMO Estate, Inc. a/k/a)
MEDCARE HMO, INC.)
a Health Maintenance Organization,)
)
Defendant.)

ORDER OF LIQUIDATION
WITH A FINDING OF INSOLVENCY

THIS CAUSE COMING ON TO BE HEARD upon the Verified Complaint For Liquidation With A Finding of Insolvency, filed herein by the People of the State of Illinois on the relation of STEPHEN F. SELCKE, Director of Insurance of the State of Illinois ("hereinafter Director"), for an Order authorizing and directing the Director to take possession and control of the property, business, and affairs of HMO Estate, Inc. a/k/a MEDCARE HMO, INC. (hereinafter "MedCare" or the "Company"), and to liquidate MedCare pursuant to the provisions of Article XIII of the Illinois Insurance Code (hereinafter "Insurance Code") (Ill. Rev. Stat. 1991, Ch. 73, Par. 799, et seq., as amended by P.A. 87-1012), to protect the interests of the creditors and policyholders of MedCare, and the public, and for reasons of insolvency; the Court having jurisdiction of the parties hereto and of the subject matter hereof; the Court having reviewed the pleadings filed herein and having heard counsel thereon, and then being otherwise fully advised in the premises, and for good cause showing therefore;

THE COURT FINDS:

1. That by his Verified Complaint, the Director seeks an Order Of Liquidation With A Finding of Insolvency against the Defendant, MedCare, pursuant to Section 188 of the Insurance Code (Ill. Rev. Stat. 1991, Ch. 73, Par. 800). In his Verified Complaint, the Director alleges that sufficient cause exists under Section 188 of the Insurance Code, supra, for the entry of an Order of Liquidation against MedCare, including, without limitation, the following facts and circumstances:

- (i) MedCare is insolvent; and
- (ii) MedCare has failed to correct its statutory net worth impairment and as such, MedCare is statutorily insolvent; and
- (iii) MedCare is in such condition that the further transaction of its business may be hazardous to its policyholders/enrollees, its creditors and/or the public.

2. That the Defendant, MedCare, and certain other potential parties of interest were duly served with Summons and Verified Complaint For Liquidation on December 23 and December 24, 1992.

3. That the Defendant, MedCare, did not appear within 10 days after the service of Summons upon it, exclusive of the day of service and this Court entered an Order of Default against MedCare on January 4, 1993 for its failure to so appear.

4. That it is in the best interest of the Defendant, MedCare, its policyholders/enrollees and creditors, and the public, that it be placed into Liquidation in accordance with the provisions of Article XIII of the Insurance Code, supra.

5. That pursuant to Section 190 of the Insurance Code, (Ill. Rev. Stat. 1991, Ch. 73, Par. 802), the facts stated in the

Verified Complaint and the Exhibit thereto are to be taken as true, and the Court finds therefrom as follows:

a. That the Plaintiff, Stephen F. Selcke, is the Director of Insurance of the State of Illinois and, in such capacity, is charged under the Insurance Code (Ill. Rev. Stat. 1991, Ch. 73, Par. 613, et seq.), and under Ill. Rev. Stat. 1991, Ch. 127, Par. 56, with the rights, powers and duties appertaining to the enforcement and execution of insurance laws of this State.

b. That the Defendant, MedCare, is a stock health maintenance organization organized and existing under the laws of the State of Illinois, having its principal place of business in the City of Maywood, County of Cook, State of Illinois.

c. That sufficient grounds exist for the entry of an Order of Liquidation including, without limitation, the fact that the Defendant, MedCare, is insolvent; that it failed to correct its impairment within the time prescribed by law and thus cannot meet the requirements for organization and authorization as required by law due to its impaired condition; and that MedCare's further transaction of business would be hazardous to its policyholders/enrollees, its creditors and/or the public; and

6. That by entry of this Order with a finding of insolvency, the protections and provisions of the Illinois Health Maintenance Organization Act (Ill. Rev. Stat. 1991, Ch. 111 $\frac{1}{2}$, Par. 1481.1 et seq.) are implemented effective the date of the entry of this Order.

IT IS HEREBY ORDERED:

A. That sufficient cause exists for the entry of an Order of Liquidation With A Finding Of Insolvency against the Defendant,

MedCare, and that this Order of Liquidation be and the same is hereby entered as, to and against MedCare with a finding of insolvency; and,

B. That Stephen F. Selcke, Director of Insurance of the State of Illinois as Liquidator of the Defendant, MedCare (hereinafter "Liquidator"), and his successors in office, be and the same are hereby authorized and directed to take immediate possession and control forthwith of the property, business, and affairs of the Defendant, MedCare, pursuant to the provisions of Article XIII of the Insurance Code, Ill. Rev. Stat. 1991, Ch. 73, Par. 799 et seq. as amended by P.A. 87-1012, and to take such action as the nature of this cause and the interests of the Company's policyholders/enrollees and creditors, and the general public may require, subject to the further Orders of this Honorable Court; and that the Director be and the same is hereby vested as Liquidator with title to all property, contracts and rights of action of the Defendant, MedCare, and that he is hereby authorized to deal with the property, business and affairs of MedCare and to sue and defend for MedCare, or for the benefit of MedCare's policyholders/enrollees, stockholders and creditors in his name as Liquidator of MedCare, or in the name of the Company; and,

C. That the Defendant, MedCare, its directors, officers, trustees, agents, representatives and employees, and all other persons be and the same are hereby ordered to give immediate possession and/or control to the Liquidator of all property, business, and affairs of the Defendant, MedCare, and of the premises occupied by it for the transaction of its business; and,

D. That Defendant, MedCare, its directors, officers, trustees, agents, representatives and employees, and all other persons be and the same are hereby restrained and enjoined from transacting any company business or disposing of company property

or assets or doing or permitting to be done any action which might waste the property or assets of the Defendant, MedCare, until further Order of this Court; and,

E. That all banks, brokerage houses, agents, reinsurers or other companies and/or all other persons having in their possession assets, property or records which are or may be, the property of the Defendant, MedCare, be and the same are hereby ordered to deliver the possession of the same immediately to the Liquidator, and the same are also hereby restrained and enjoined from disbursing the same without the written approval of the Liquidator, and they, and all other persons are further prohibited from disposing of or destroying any records pertaining to any business transactions between MedCare and banks, brokerage houses or other persons or companies having done business with MedCare or having in their possession assets which are or were the property of MedCare without the express written consent of the Liquidator, or until further Order of this Court; and,

F. That the Defendant, MedCare, its directors, officers, trustees, agents, representatives and employees, and all other persons be and the same are hereby restrained and enjoined from destroying, disposing of or sending out of the State of Illinois, any books, records or accounts, or of any property, whether real, personal or mixed, owned by the Defendant, MedCare, and the same are further hereby restrained and enjoined from transacting any company business or dealing with or disposing of the property or assets of MedCare, without the specific permission of the Liquidator, or doing or permitting to be done any action which might waste or conceal the assets of MedCare; and,

G. That the Defendant, MedCare, its directors, officers, trustees, agents, representatives and employees, and all other persons be and the same are hereby restrained and enjoined from

interfering in any way with the Liquidator while he is in the possession or control of the property, business, books, records, accounts, premises, and all other assets of the Defendant, MedCare; and all persons, companies and entities be and the same are hereby restrained and enjoined from bringing or further prosecuting any action at law, or in equity, or in any other proceedings, against said Defendant, MedCare, or its assets or property, or the Director as its Liquidator; and restraining and enjoining all persons, companies and entities from interfering, in any way, with the liquidation proceedings of MedCare, or from obtaining preferences, judgements, attachments or other like liens or the making of any levy against the said Defendant, MedCare, or its assets; and,

H. That all agents, trustees, and brokers of the Defendant, MedCare, their agents, representatives and employees, and all other persons be and the same are hereby restrained and enjoined from returning any unearned premiums, or any money in their possession collected for premiums, to policyholders/enrollees or others, and said agents, trustees, and brokers, their agents, employees and representatives, and all other persons are hereby directed to turnover all such funds in their possession or under their control, or over which they may hereafter acquire possession or control, to the Liquidator until further Order of this Court; and,

I. That all persons, firms, corporations and entities who have heretofore provided services, materials and/or equipment (whether or not such provider is obligated by statute or agreement to hold enrollees harmless from liability), to the enrollees of the Defendant, MedCare, their agents, representatives and employees be and the same are hereby restrained and enjoined from bringing, or further prosecuting, any action at law, or in equity, or otherwise seeking to recover any amount owed by MedCare, or by any other person, to such person as the result of service, materials and/or equipment rendered by such person, from any enrollee of MedCare

(excluding applicable co-payments or deductibles for covered services or fees for services not covered by MedCare), until the Illinois Health Maintenance Organization Guaranty Association has made a final determination of its liability to such person for such service, materials and/or equipment (or the completion of any litigation resulting there from), or until further Order of this Court; and,

J. That the Liquidator be and the same is hereby vested with the rights, title and interest in all funds recoverable under treaties, contracts and agreements of reinsurance heretofore entered into by or on behalf of the Defendant, MedCare, as the ceding or assuming insurer, and that all reinsurance companies, agents, brokers, and all other persons involved with MedCare be and the same are hereby restrained and enjoined from making any settlements with any claimant or policyholder/enrollee other than the Liquidator; and,

K. That all persons including policyholders and enrollees of the Defendant, MedCare, and all persons asserting claims against such policyholders/enrollees be and the same are hereby restrained and enjoined from instituting or pursuing any action or proceeding in any court or before any administrative agency, including boards and commissions administering worker's compensation or occupational diseases or similar laws of the State of Illinois or of any other state or of the United States, which seek in any way, directly or indirectly, to contest or interfere with the Liquidator's exclusive right, title, and interest to funds recoverable under treaties and agreements of reinsurance heretofore entered into by or on behalf of the Company as the ceding insurer; and,

L. That all persons be and the same are hereby restrained and enjoined from asserting any claim against the Liquidator or the Defendant, MedCare, except insofar as such claims arise in, or are

brought in these liquidation proceedings of MedCare; and,

M. That all rights and liabilities of the Defendant, MedCare, and of its creditors, policyholders/enrollees, stockholders and all other persons interested in its assets be and the same are hereby fixed as of the date this Order of Liquidation is entered; and,

N. That an Order be and the same is hereby entered requiring that hereafter the caption in this cause and all pleadings in this matter shall read:

"IN THE MATTER OF THE LIQUIDATION
OF MEDCARE HMO, INC."

O. That the Liquidator be and the same is hereby directed to make periodic reports to this Court of the nature of the Defendant, MedCare, while in liquidation and the same is further hereby directed to file with this Court, for its consideration, such periodic reports of the Liquidator's receipts and disbursements of MedCare, until further Order of this Court; and,

P. That this Honorable Court hereby retains jurisdiction in this cause for the purpose of granting such other and further relief as the nature of this cause, and the interests of the subscribers, policyholders/enrollees, creditors, members and stockholders of the Defendant, MedCare, or the public may require; and,

Q. That all costs of these proceedings be and the same are hereby taxed or assessed against the Defendant, MedCare; and,

R. That the Liquidator be and the same is hereby authorized to pay, from the assets of the Defendant, MedCare, those administrative expenses incurred during the course of the

liquidation of MedCare, in an amount less than Ten Thousand (\$10,000.00) Dollars without the prior approval of this Court and to thereafter report such payments in the Liquidator's periodic reports of his receipts and disbursements of MedCare; and the payment of such administrative expenses in the amount of Ten Thousand (\$10,000.00) Dollars, or more shall be subject to further approval by this Honorable Court; and is further hereby authorized to pay, from the assets of MedCare, the compensation of all attorneys, actuaries, accountants, consultants and other such persons retained by the Liquidator, as administrative expenses, in accordance with Section 202 of the Insurance Code (Ill. Rev. Stat. 1991, Ch. 73, Par. 814, as amended by P.A. 87-1012); and,

S. That the Liquidator be and the same is hereby authorized to sell, at a reasonable price any items of personal property of the Defendant, MedCare, having a market value of the amount of Ten Thousand (\$10,000.00) Dollars or less, and is further hereby authorized to abandon any items of personal property of MedCare having no sale value; and is hereby directed to thereafter report all such sales or abandonment of personal property in the Liquidator's periodic reports of receipts and disbursements; and,

T. That all accountants, auditors and attorneys of the Defendant, MedCare, be and the same are hereby ordered to deliver to the Liquidator copies of all documents in their possession or under their control concerning or related to said Defendant, and to provide the Liquidator with such information as he may require concerning any and all business and/or professional relationships between them and said Defendant, and concerning any and all activities, projects, jobs, and engagements undertaken and/or performed by them at the request of MedCare, which MedCare may be, or is, entitled to as the result of its relationship with such accountants, auditors, and attorneys; and,

U. That the Liquidator be and the same is hereby authorized to wind-down and terminate the business of the Defendant, MedCare.

ENTERED:

JUDGE FRWIN M BERMAN

JAN 4 - 1993

~~Circuit Court-153~~
JUDGE PRESIDING

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