

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

MICHAEL F. CONSEDINE, INSURANCE
COMMISSIONER OF THE COMMONWEALTH
OF PENNSYLVANIA,

Plaintiff,

v.

AMERICAN NETWORK
INSURANCE COMPANY,

Defendant.

DOCKET NO. 4 M.D. 2009

ORDER OF LIQUIDATION

AND NOW, this ___ day of _____, 2012 upon consideration of the Petition for Liquidation of American Network Insurance Company (In Rehabilitation) ("ANIC") filed by the Insurance Commissioner of the Commonwealth of Pennsylvania in his capacity as Rehabilitator of ANIC on October 2, 2009, the Amended Petition for Liquidation, the response of Intervenors thereto, the evidence received at the hearings on this liquidation petition and the briefs and oral argument of the parties, it is hereby **ORDERED** that:

1. ANIC is declared insolvent and ordered to be **LIQUIDATED** pursuant to Article V of The Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, as amended, 40 P.S. §§221.1 – 221.63 ("Article V").

2. The Rehabilitation Order of January 6, 2009, is **TERMINATED** effective 12:01 a.m. _____ 1, 2012.

3. This Order of Liquidation is entered **EFFECTIVE** 12:01 a.m. _____ 1, 2012.

4. Insurance Commissioner Michael F. Consedine and his successors in office are hereby **APPOINTED** Statutory Liquidator of ANIC and directed to take possession of ANIC's property, business and affairs in accordance with Article V.

5. The Liquidator is hereby **VESTED** with all the powers, rights and duties authorized under Article V and other applicable statutes and regulations.

ASSETS OF THE ESTATE

6. The Liquidator is vested with title to all property, assets, contracts and rights of actions ("assets") of ANIC of whatever nature and wherever located, as of the date of filing of the Petition for Liquidation. All assets of ANIC are hereby found to be *in custodia legis* of this Court and this Court asserts jurisdiction as follows: (a) *in rem* jurisdiction over all assets of ANIC wherever they may be located and regardless of whether they are held in the name of ANIC or in any other name; (b) exclusive jurisdiction over all determinations as to whether assets belong to ANIC or to another party; (c) exclusive jurisdiction over all determinations of the validity and amounts of claims against ANIC; and (d) exclusive jurisdiction over the determination of the priority of all claims against ANIC.

7. The filing or recording of this Order with the Clerk of the Commonwealth Court or with the Recorder of Deeds of the county in which ANIC's principal office or place of business is located (Lehigh County), shall impart the same notice as is imparted by any deed, bill of sale or other evidence of title duly filed or recorded with that Recorder of Deeds.

8. The Liquidator is directed to take possession of all assets that are the property of ANIC.

9. The Liquidator is directed to continue telephone, data-processing, water, electric, sewage, garbage, delivery, trash removal and utility services needed by the estate of ANIC by establishing a new account for the Liquidator as of the effective date of this Order.

10. ANIC's directors, officers and employees, to the extent the following obligations have not been satisfied in the course of ANIC's rehabilitation, shall: (a) surrender peaceably to the Liquidator the premises where ANIC conducts its business; (b) deliver all keys or access codes thereto and to any safe deposit boxes; (c) advise the Liquidator of the combinations and access codes of any safe or safekeeping devices of ANIC or any password or authorization code or access code required for access to data processing equipment; and (d) deliver and surrender peaceably to the Liquidator all the assets, books, records, files, credit cards, and other property of ANIC in their possession or control, wherever located, and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

11. ANIC's directors, officers and employees are enjoined from taking any action, without approval of the Liquidator, to transact further business on behalf of ANIC. They are further enjoined from taking any action that would waste the assets of ANIC or would interfere with the Liquidator's efforts to wind up the affairs of ANIC.

12. Except as otherwise provided in this Order, executory contracts to which ANIC is a party to as of the date of this Order may be affirmed or disavowed by the Liquidator.

13. All banks, investment bankers, companies, other entities or other persons having in their possession assets which are, or may be, the property of ANIC, shall, unless otherwise instructed by the Liquidator, deliver the possession of the same immediately to the Liquidator, and shall not disburse, convey, transfer, pledge, assign, hypothecate, encumber or in any manner dispose of the same without the prior written consent of, or unless directed in writing by, the Liquidator.

14. All persons and entities are enjoined from disposing of or destroying any records pertaining to any transactions between ANIC and any party.

15. The amount recoverable by the Liquidator from any reinsurer shall not be reduced as a result of this Order of Liquidation, regardless of any provision in a reinsurance contract or other agreement. Payment made directly by the reinsurer to an insured or other creditor of ANIC shall not diminish the reinsurer's obligation to ANIC, except to the extent provided by law.

TRANSFER OF COVERAGE TO GUARANTY ASSOCIATIONS

16. The Liquidator shall make arrangements for the continued payment of the claims arising under ANIC's policies which are covered by state guaranty associations and shall facilitate the continued coverage of such policies by state guaranty associations by making ANIC's facilities, computer systems, books, records and third party administrators (to the extent possible) available to any guaranty association (and to states and state officials holding statutory deposits for the benefit of such claimants). For a period not to exceed eighteen months from the effective date of this Order, the Liquidator is authorized to advance funds for the payment of claims from the estate of ANIC, subject to the receipt of refunding agreements, and such advances will be deemed to be made in accordance with Section 536(a) of Article V, 40 P.S. §221.36(a). Thereafter, no disbursements shall be made to guaranty associations except in accordance with Section 536 of Article V, 40 P.S. §221.36 or a plan of liquidation approved by the Court.

CANCELLATION OF COVERAGE

17. All policies or contracts of insurance issued by ANIC, whether issued in this Commonwealth or elsewhere, in effect on the effective date of this Order, are cancelled and terminated for all purposes thirty days from the effective date of this Order pursuant to Section 521 of Article V, 40 P.S. §221. 21. Coverage under the cancelled policies and contracts of

insurance shall be continued by state guaranty associations, where applicable, in accordance with their governing laws.

PROOF OF CLAIM FILING

18. All claims against the estate of ANIC shall be filed, together with proper proof thereof, within six (6) months of the effective date of this Order, on or before _____, 2012. No person required by this Order to file a claim shall participate in any distribution of the assets of ANIC unless his, her or its claim has been filed with the Liquidator in accordance with the time limit established by the Liquidator, subject to the provisions for the late filing of claims pursuant to Section 537 of Article V, 40 P.S. §221.37; however, all policyholders and certificate holders who appear on ANIC's books and records as of the effective date of this Order are deemed to have duly filed proofs of claim for any benefits or other amounts under their policies and any loss suffered as a result of cancellation of their coverage pursuant to Section 521 of Article V, 40 P.S. §221. 21 and this Order and are not required to file a proof of claim for those benefits or losses.

19. No judgment or order against ANIC or its insureds entered after the date of filing of the Petition for Liquidation, and no judgment or order against ANIC or its insureds entered at any time by default or by collusion, will be considered as evidence of liability or quantum of damages by the Liquidator in evaluating a claim against the estate of ANIC.

20. In addition to the notice requirements of Section 524 of Article V, 40 P.S. §221.24, the Liquidator shall publish notice in newspapers of general circulation, where ANIC has its principal places of business, and in a newspaper or national circulation, that: (a) specifies the last day for the filing of claims; (b) explains the procedure by which claims may be submitted to the Liquidator; (c) provides the address of the Liquidator's office for the submission of claims; and (d) notifies the public of the right to present a claim, or claims, to the Liquidator.

21. Within thirty (30) days of giving notice of the order of liquidation, as set forth in Section 524 of Article V, 40 P.S. §221.24, and of the procedures for filing claims against the estate of ANIC, the Liquidator shall file a compliance report with the Court noting, in reasonable detail, the date that and manner by which these notices were given.

SUBMISSION OF LIQUIDATION PLAN

22. Within one hundred twenty (120) days of the date of this Order, the Liquidator shall file with the Court a proposed plan of liquidation pursuant to Section 536 of Article V, 40 P.S. §221.36, which shall address valuation and payment of policyholders' claims for policy obligations not covered by a guaranty association, equitable allocation of disbursements of assets to guaranty associations, the securing of any refunding and reporting agreements with the guaranty associations, disbursements of assets to non-guaranty association claimants and the reserving of adequate funds to pay administrative and other claims with a priority higher than policyholder claims and to pay claimants within the same class equally in accordance with Section 544 of Article V, 40 P.S. §221.44.

23. In addition to the notice requirements of Section 536(d) of Article V, 40 P.S. §221.36(d), the Liquidator shall give notice of the proposed plan of liquidation by first class mail to all persons who were policyholders of ANIC on the effective date of this Order of Liquidation. The notice of the proposed plan of liquidation shall: (a) state the deadline by which all comments or objections to the plan of liquidation must be filed with the Court; and (b) provide the address of the Court and docket number for the filing of comments or objections.

ADMINISTRATIVE EXPENSES

24. The Liquidator shall pay as costs and expenses of administration pursuant to Section 544 of Article V, 40 P.S. §221.44, the actual, reasonable and necessary costs of preserving or recovering the assets of ANIC and the costs of goods or services provided to and

approved by the Rehabilitator or by this Court during the period of ANIC's rehabilitation and that are unpaid as of the date of this Order.

STAY OF LITIGATION

25. Unless the Liquidator consents thereto in writing, no action at law or in equity, including, but not limited to, an arbitration or mediation, the filing of any judgment, attachment, garnishment, lien or levy of execution process against ANIC or its assets, shall be brought against ANIC or the Liquidator or against any of their employees, officers or rehabilitation or liquidation officers for acts or omissions in their capacity as employees, officers or rehabilitation or liquidation officers of ANIC or the Liquidator, whether in this Commonwealth or elsewhere, nor shall any such existing action be maintained or further prosecuted after the effective date of this Order. All above-enumerated actions currently pending against ANIC in the courts of the Commonwealth of Pennsylvania or elsewhere are hereby stayed; relief sought in these actions shall be pursued by filing a proof of claim against the estate of ANIC pursuant to Section 538 of Article V, 40 P.S. §221.38.

26. All secured creditors or parties, pledges, lienholders, collateral holders or other persons claiming secured, priority or preferred interests in any property or assets of ANIC are hereby enjoined from taking any steps whatsoever to transfer, sell, assign, encumber, attach, dispose of, or exercise, purported rights in or against any property or assets of ANIC except as provided in 40 P.S. §221.43.

MARY HANNAH LEAVITT, Judge

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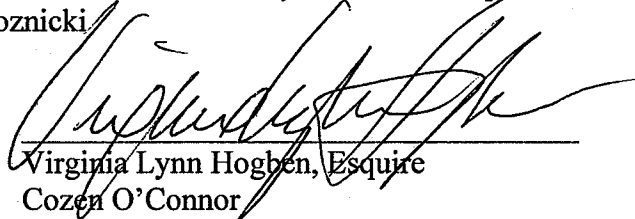
CERTIFICATE OF SERVICE

I, Virginia Lynn Hogben, hereby certify that on December 30, 2011, I served the foregoing Proposed Order on the following party by the following means:

By Hand Delivery:

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