

IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA

MAY 12 2010

PATRICIA PRESLEY, COURT CLERK

by \_\_\_\_\_  
DEPUTY

STATE OF OKLAHOMA, ex rel.	)
KIM HOLLAND, Insurance Commissioner,	)
	)
Petitioner,	)
	)
v.	)
	)
IMPERIAL CASUALTY AND INDEMNITY	)
COMPANY, a domestic insurance	)
company,	)
	)
Defendant.	)

Case No. CJ-2010-2340

**CONSENT ORDER OF LIQUIDATION WITH A FINDING OF INSOLVENCY  
AND PERMANENT INJUNCTION**

On March 18, 2010, the Court granted the Insurance Commissioner’s Application for Order of Receivership and Request for Injunctive Relief and ordered (1) that the Insurance Commissioner be appointed receiver and (2) that Imperial Casualty and Indemnity Company (“Imperial”) show cause why it should not be placed in rehabilitation and/or liquidation. The show cause hearing began on April 9, 2010, at 9:00 a.m. The parties have advised the Court that Imperial has voluntarily consented to be placed in liquidation. Thus, the parties request that the Court issue this Consent Order of Liquidation with Finding of Insolvency and Permanent Injunction.

Upon consideration of the evidence presented during the show cause hearing conducted by the Court, the Court hereby finds:

1. Kim Holland is the duly qualified and acting Insurance Commissioner of the State of Oklahoma and as such is charged with the duty of administering and regulating the state’s insurance industry. The Insurance Commissioner has the authority to appear

in the District Court to make application for an order directing the insurer to show cause why an Order of Rehabilitation should not be entered and a Receiver appointed. 36 O.S. § 1903.

2. This Court has jurisdiction over this matter pursuant to the provisions of 36 O.S. § 1902(A), which gives the District Court exclusive original jurisdiction of such proceedings against any insurer.

3. Venue is proper in the District Court within Oklahoma County pursuant to the provisions of 36 O.S. § 1902(F).

4. Imperial is an Oklahoma domestic insurer licensed to transact property, casualty and workers' compensation insurance in this state. Imperial holds certificate of authority number 3638.

5. Imperial is an "insurer" as defined in 36 O.S. § 1901(2) and it is impaired and/or insolvent as defined in 36 O.S. § 1901(2).

6. This delinquency proceeding and the appointment of the Insurance Commissioner as Imperial's Receiver are authorized by 36 O.S. § 1901 – 1938.

7. By a majority vote of its controlling stockholders or members, Imperial consented to being placed in liquidation.

8. Sufficient cause exists for this Consent Order of Liquidation with a Finding of Insolvency as further set out below. Imperial does not contest the entry of this Order.

#### **LOSS PORTFOLIO TRANSFER**

9. Imperial and Providence/Park Avenue entered into a Loss Portfolio Transfer and 100% Quota Share Reinsurance Agreement (the "LPT").

10. Imperial intended the LPT as a complete transfer of Imperial's pre-January 30,

2009 policies to Providence/Park Avenue as an assumption reinsurance agreement that effectuated a novation.

11. The LPT did not adequately effectuate a novation and the primary liability under the subject policies remained with Imperial. Such liability renders Imperial insolvent.

**THE COURT THEREFORE ORDERS THE FOLLOWING:**

1. Imperial is placed in receivership and such proceedings shall proceed in accordance with 36 O.S. § 1901 – 1938 or as the law otherwise requires.

2. Imperial is impaired and/or insolvent.

3. The Insurance Commissioner is hereby appointed Receiver of Imperial and is directed to liquidate Imperial under the laws of the State of Oklahoma.

4. The Insurance Commissioner, as Receiver, is vested with all powers and authority, express or implied, as set forth in 36 O.S. § 1901 – 1938 or any other applicable law.

5. The Insurance Commissioner, as Receiver, shall take possession of Imperial's property, liquidate its business, deal with Imperial's property and business in the Insurance Commissioner's own name or in Imperial's name – as the court may direct – and give notice to all creditors who may have claims against Imperial to present such claims.

6. The Insurance Commissioner, as Receiver, is vested by operation of law with the title to all of the property, contracts, and rights of action and all of the books and records of the insurer wherever located.

7. This Consent Order shall be filed with the Oklahoma County Clerk's Officer.

8. The Insurance Commissioner, as Receiver, shall be responsible for the proper administration of all assets coming into the Receiver's possession or control. The Court may at any time require a bond from the Receiver or any assistants or deputies if deemed desirable for the protection of the assets.

9. The Insurance Commissioner, as Receiver, may appoint one or more assistant receivers to act for the Receiver and may employ such counsel, clerks, and assistants as are deemed necessary. The compensation of the assistant receivers, counsel, clerks, or deputies and all expenses of taking possession of the insurer and of conducting the proceedings shall be fixed by the Receiver, subject to the approval of the Court, and shall be paid out of Imperial's funds or assets. Within the limits of duties imposed upon them, assistant receivers shall possess all the powers given to the Receiver and, in the exercise of those powers, shall be subject to all of the duties, powers, and limitations imposed upon the Receiver with respect to such proceedings. But the Insurance Commissioner, as Receiver, is prohibited from appointing any person who is related to the Insurance Commissioner within the third degree of consanguinity or affinity. The Insurance Commissioner, as Receiver, is further prohibited from entering into any contract with any person who is related to the Insurance Commissioner within the third degree of consanguinity or affinity. Any appointments or contracts in violation of this paragraph are void.

10. The Insurance Commissioner has appointed Mark D. Tharp as Assistant Receiver, and Andrew D. Downing and Bradley S. Shelts of the Rhodes, Hieronymus, Jones, Tucker & Gable law firm as counsel for the Receiver. These appointments are approved.

11. The Receiver is authorized to use up to \$200,000.00 to cover the initial expenses of this receivership. Thereafter, the Receiver shall file an application for approval of administrative fees and expenses. An itemized list of fees and/or expenses authorized for the initial expenses of the receivership shall be filed for approval with the Receiver's first application for approval of administrative fees and expenses.

12. If any legal action is commenced against the Receiver or any employee, whether against him personally or in his official capacity, alleging property damage, property loss, personal injury or other civil liability caused by or resulting from any alleged act, error or omission of the Receiver or any employee arising out of or by reason of their duties or employment, the Receiver and any employee shall be indemnified from Imperial's assets for all expenses, attorneys' fees, judgments, settlements, decrees or amounts due and owing or paid in satisfaction of or incurred in the defense of such legal action unless it is determined upon a final adjudication on the merits that the alleged act, error or omission of the Receiver or employee giving rise to the claim did not arise out of or by reason of his duties or employment, or was caused by intentional or willful and wanton misconduct. All duties, powers, and rights set forth in 36 O.S. § 1937 are incorporated by reference.

13. Until further order of the Court, no obligation, claim or debt of Imperial shall be paid except those which the Receiver deems necessary or appropriate to facilitate taking possession of commencement or furtherance of liquidation. Except as provided herein, no distribution of Imperial's property will be made without the Court's approval.

14. The Receiver has consented to payment of certain defense costs of Imperial by Federal Insurance Company through May 12, 2010 pursuant to separate order to be

entered herein.

15. Imperial and its officers, employees, directors, trustees, stockholders, shareholders, members, subscribers, agents, representatives, and all other persons are hereby permanently enjoined and prohibited from further transacting Imperial's business of Imperial, and are enjoined and prohibited from wasting, transferring, selling, concealing, destroying, disbursing, disposing, or assigning any asset, contracts, causes of action, funds, records, correspondence, memoranda, or any other documents or other Imperial property.

16. Imperial and its officers, employees, directors, affiliates, trustees, stockholders, shareholders, members, subscribers, enrollees, insurers, reinsurers, agents, representatives, contractors, subcontractors, and all other persons are hereby directed to assign transfer, and deliver any and all property or amount owed to Imperial to the Insurance Commissioner as Receiver.

17. The authority of Imperial's officers and directors is terminated.

18. Until further order of the Court, all persons and entities – including secured creditors, unsecured creditors, claimants and/or litigants – are enjoined and prohibited (1) from wasting, transferring, selling, concealing, destroying, disbursing, disposing, assigning, in any manner, the assets or property of Imperial; and (2) from prosecuting any pending action or litigation involving Imperial; obtaining any preferences, judgments, attachments, or liens against Imperial; or making any levy against Imperial or its assets.

19. Imperial is insolvent. This Order shall constitute a final order of liquidation for purposes of triggering the property and casualty guaranty associations in the respective states in which Imperial previously did business.

20. In accordance with Title 36 Okla.Stat. §2007, all policies of insurance with Imperial Casualty and Indemnity Company shall be terminated and coverage under said policies shall be cancelled effective June 11, 2010 at 11:59 pm.

21. All proceedings, litigation, or claims in which Imperial, its policyholder(s), its insured(s), or a property & casualty guaranty association triggered by Imperial's liquidation is a party shall be stayed 120 days from the date of this Order to permit proper legal action by the respective guaranty associations on any matters germane to its powers and duties. As to judgment under any decision, order, verdict or finding based on default, the guaranty association impacted may apply to have such judgment set aside by the same court that made such judgment and shall be permitted to defend against such suit on the merits.

22. Any amounts recovered and recoverable from contractors, reinsurers, or other insurers of Imperial shall not be reduced as a result of this delinquency proceeding.


23. The Court authorizes the payment of all approved expenses incurred by the Insurance Commissioner acting in her capacity as Receiver that were incurred with her approval since the Court's March 18, 2010, Order.

24. Unless otherwise ordered by the Court, any violation of this Order or the injunctive relief set forth herein shall be deemed contempt of Court and shall subject the violator to all penalties allowed by law.


IT IS SO ORDERED this 12 day of May 2010.

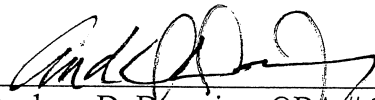


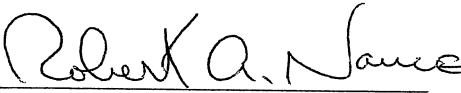
JUDGE OF THE DISTRICT COURT

I, PATRICIA PRESLEY, Court Clerk for Oklahoma County, Okla., hereby certify that the foregoing is a true, correct and complete copy of the instrument herewith set out as appears of record in the District Court Clerk's Office of Oklahoma County, Okla., this 12 day of May, 2010.  
By  PATRICIA PRESLEY, Court Clerk  
Deputy

APPROVED:

  
Michael Ridgeway, OBA # 15657  
Caleb J. Muckala, OBA # 20293  
Oklahoma Insurance Department

  
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Robert Nance, OBA # 6581  
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Counsel for Imperial Casualty and  
Indemnity Company