



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF:)	
)	
STATE OF DELAWARE ex rel.)	
THE HONORABLE KAREN WELDIN STEWART,)	
CIR-ML, Insurance Commissioner of)	
the State of Delaware,)	
)	
Petitioner,)	
)	C.A. No. 8601
v.)	
)	
INDEMNITY INSURANCE CORPORATION,)	
RRG, a Delaware domestic risk)	
retention group)	
)	
Respondent.)	

REHABILITATION AND INJUNCTION ORDER

WHEREAS, on July 26, 2013 the Honorable Karen Weldin Stewart, CIR-ML, Insurance Commissioner of the State of Delaware (the "Commissioner"), filed a petition (the "Liquidation Petition") seeking the entry of a Liquidation and Injunction Order concerning Indemnity Insurance Corporation, RRG, a Delaware domestic risk retention group ("IICRRG"), pursuant to 18 Del. C. §5901, et seq. and ch. 69; and

WHEREAS, since the filing of the Liquidation Petition, ongoing investigation by the Commissioner and the appointees and designees of the Commissioner has indicated, and the Board of Directors and management of IICRRG have independently determined, that the financial condition of IICRRG has continued

to deteriorate such that IICRRG is impaired, is in unsound condition, and that its current and further transaction of insurance as a going concern remains and will remain hazardous to its policyholders; and

WHEREAS, the Board and management of IICRRG are finalizing a proposed plan that will provide for a solvent run off of IICRRG's policyholder liabilities, and the Commissioner has determined that implementation of such plan through the rehabilitation of IICRRG, rather than the liquidation of IICRRG, if achievable, will best serve the interests of IICRRG's policyholders; and

WHEREAS, the Commissioner has filed a Petition for the Entry of a Rehabilitation and Injunction Order ("Rehabilitation Petition") which seeks the entry of a Rehabilitation and Injunction Order concerning IICRRG pursuant to 18 Del. C. 5901, *et. seq.* and ch. 69; and

WHEREAS, IICRRG has consented to the relief requested by the Commissioner and waived formal service of process and a formal hearing on the petition;

NOW, THEREFORE, THE COURT FINDS AND ORDERS AS FOLLOWS:

1. The Rehabilitation Petition attaches evidence sufficient to support the conclusion that IICRRG is impaired, in unsound condition, and in such condition as to render its further transaction of insurance presently and prospectively

hazardous to its policyholders. Because IICRRG has not contested the Rehabilitation Petition and has consented to its entry, the allegations of the Rehabilitation Petition are deemed admitted as against IICRRG for purposes of this proceeding. Consequently, IICRRG is declared impaired, in unsound condition, and in such condition as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, and sufficient cause exists for the rehabilitation of IICRRG pursuant to 18 *Del. C.* §5905 and 18 *Del. C.* ch. 59 and 69 and for the entry of a Rehabilitation and Injunction Order concerning IICRRG.

2. As a separate and independent basis for entry of the Rehabilitation and Injunction Order, the Rehabilitation Petition attaches evidence that a majority of the directors of IICRRG have consented to the entry of a Rehabilitation and Injunction Order, and IICRRG has confirmed this fact by letter. Consequently, the Court finds that sufficient cause exists for the rehabilitation of IICRRG, pursuant to 18 *Del. C.* §5905 and 18 *Del. C.* ch. 59 and 69 and for the entry of a Rehabilitation and Injunction Order concerning IICRRG.

3. Given the determinations set forth above, a formal hearing on the Commissioner's Rehabilitation Petition is not necessary.

4. Given the determinations set forth above, rehabilitation of IICRRG is in the best interests of IICRRG's policyholders.

5. Pursuant to 18 *Del. C.* §5910(a) and 18 *Del. C.* ch.59 and 69, the Commissioner and her successors in office are hereby appointed as the receiver (hereinafter the "Receiver") of IICRRG.

6. Pursuant to 18 *Del. C.* §5910(a), the Receiver shall forthwith conduct and continue the business of IICRRG pursuant to the terms of this Order and shall, as the case may be, immediately take or continue exclusive possession and control of, and be vested or continue to be vested with, all right, title, and interest in, of, and to the property of IICRRG including, without limitation, all of IICRRG's assets, contracts, rights of action, books, records, bank accounts, certificates of deposits, collateral securing obligations to, or for the benefit of, IICRRG or any trustee, bailee, or any agent acting for or on behalf of IICRRG (collectively, the "Trustees" and each a "Trustee"), securities or other funds, and all real or personal property of any nature of IICRRG including, without limitation, furniture, equipment, fixtures, and office supplies, wherever located, and including such property of IICRRG or collateral securing obligations to, or for the benefit of, IICRRG or any Trustee thereof that may be discovered hereafter,

and all proceeds of or accessions to any of the foregoing, wherever located, in the possession, custody, or control of IICRRG or any Trustee therefore (collectively, the "Assets").

7. The Receiver may change to her own name as Receiver, the name of any of IICRRG's accounts, funds, or other Assets held with any bank, savings and loan association, or other financial institution, and may withdraw such funds, accounts, and other Assets from such institutions or take any lesser action necessary for the proper conduct of this rehabilitation.

8. The Receiver is hereby directed to continue in her examination of the Assets, business, and affairs of IICRRG and to take such steps to remove the causes of IICRRG's impairment, unsound condition, or hazardous condition pursuant to the provisions of Chapter 59 of Title 18 of the Delaware Code as she deems necessary. The Receiver is further authorized to take such actions as the nature of this cause and interests of the policyholders, creditors, principals and stockholders of IICRRG and the public may require, subject to Court approval as required by 18 *Del. C.* ch. 59.

9. The Receiver's right, title, and interest in and to the Assets shall continue until further order of the Court and she is hereby authorized to deal with the Assets, business, and affairs of IICRRG including, without limitation, the right to sue, defend, and continue to prosecute suits or actions already

commenced by or for IICRRG, or for the benefit of IICRRG's policyholders, cedants, creditors, and stockholders in the courts, tribunals, agencies, or arbitration panels for this State and other states and jurisdictions in her name as the Insurance Commissioner of the State of Delaware, or in the name of IICRRG.

10. The Receiver is hereby vested, or as the case may be, remains vested, with the right, title, and interest in and to all funds recoverable under treaties and agreements of reinsurance heretofore entered into by IICRRG as the ceding insurer or as the assuming insurer, and all reinsurance companies involved with IICRRG are enjoined and restrained from making any settlements with any claimant or policyholder of IICRRG other than with the express written consent of the Commissioner as Receiver, except as permitted by cut-through agreements or endorsements which were issued to the policyholder, which were properly executed before the date of this Order, which comply in all respects with 18 Del. C. §914, as amended by 72 Del. Laws c. 405, and which were approved by the Delaware Insurance Department if such approval was required. The amounts recoverable by the Receiver from any reinsurer of IICRRG shall not be reduced or diminished as a result of this receivership proceeding or by reason of any partial payment or distribution on a reinsured policy, contract, or claim, and each

such reinsurer of IICRRG is hereby enjoined and restrained from terminating, canceling, failing to extend or renew, or reducing or changing coverage under any reinsurance policy, reinsurance contract, or letter of credit. The Receiver may terminate or rescind any reinsurance policy or contract that is contrary to the best interests of the receivership.

11. All persons or entities (other than the Receiver or persons acting on behalf of IICRRG with the consent of the Receiver) that have in their possession Assets or possible Assets and/or have notice of these proceedings or of this Order are hereby enjoined and restrained from transacting any business of, or on behalf of, IICRRG or selling, transferring, destroying, wasting, encumbering, or disposing of any of the Assets, without the prior written permission of the Receiver or until further Order of this Court. This prohibition includes, without limitation, Assets or possible Assets pertaining to any business transaction between IICRRG and any of said parties. No actions concerning, involving, or relating to such Assets or possible Assets may be taken by any of the aforesaid persons or entities enumerated herein, without the express written consent of the Receiver, or until further Order of this Court. For the avoidance of doubt, this provision applies to (i) Jeffrey B. Cohen and his agents, servants, employees, and attorneys and all those persons in active concert or participation with them, and

(ii) Cohen's affiliates, including IDG Companies, LLC, The Agency LLC, RB Entertainment Ventures, LLC, NI Agency, LLC, Insurance Designers of Maryland, Inc., and K&J Productions, LLC, their officers, agents, servants, employees, and attorneys and all those persons in active concert or participation with them (collectively, the "Cohen Parties").

12. Except as otherwise indicated elsewhere in this Order or except as excluded by express written notice provided by the Receiver, all persons or entities holding Assets of, or on behalf of, IICRRG shall file with the Receiver within ten (10) calendar days of the entry of this Order an accounting of those Assets with the Receiver, regardless of whether such persons or entities dispute the Receiver's entitlement to such Assets. For the avoidance of doubt, this provision applies to the Cohen Parties.

13. Except as otherwise indicated elsewhere in this Order or except as excluded by express written notice provided by the Receiver, all persons or entities holding Assets of, or on behalf of, IICRRG, shall within ten (10) calendar days of the entry of this Order turn those Assets over to the Receiver, regardless whether such persons or entities dispute the Receiver's entitlement to such Assets. For the avoidance of doubt, this provision applies to the Cohen Parties.

14. All persons and entities that have notice of these proceedings or of this Order, are hereby prohibited from instituting or further prosecuting any action at law or in equity or in other proceedings against IICRRG, the Receiver, the Deputy Receiver(s), or the Designees in connection with their duties as such, or from obtaining preferences, judgments, attachments, or other like liens or encumbrances, or foreclosing upon or making any levy against IICRRG or the Assets, or exercising any right adverse to the right of IICRRG to or in the Assets, or in any way interfering with the Receiver, the Deputy Receiver(s), or the Designees either in their possession and control of the Assets or in the discharge of their duties hereunder. For the avoidance of doubt, this provision applies to the Cohen Parties.

15. All persons or entities that have notice of these proceedings or of this Order, are hereby enjoined and restrained from instituting or further prosecuting any action at law or in equity, or proceeding with any pretrial conference, trial, application for judgment, or proceedings on judgment or settlements and such action at law, in equity, special, or other proceedings in which IICRRG is obligated to defend a party insured or any other person it is legally obligated to defend by virtue of its insurance contract for a period of 180 days from the date hereof. All persons or entities that have notice of

these proceedings or of this Order are hereby enjoined and restrained from asserting claims for refunds of policy premium resulting from the cancellation of policies of insurance issued by IICRRG except as provided for in a Plan of Rehabilitation approved by this Court. For the avoidance of doubt, this provision applies to the Cohen Parties.

16. All persons and entities are hereby enjoined and restrained from asserting any claim against the Commissioner as Receiver of IICRRG, the Deputy Receiver(s), or the Designees in connection with their duties as such, or against the Assets, except insofar as such claims are brought in the rehabilitation proceedings of IICRRG and in a manner otherwise compliant with this Order. For the avoidance of doubt, this provision applies to the Cohen Parties.

17. The filing or recording of this Order or a certified copy hereof with the Register in Chancery and with the recorder of deeds of the jurisdiction in which IICRRG's corporate and administrative offices are located or, in the case of real estate or other recorded property interests, with the recorder of deeds of the jurisdictions where the property is located, shall impart the same notice as would be imparted by a deed, bill of sale, or other evidence of title duly filed or recorded with that recorder of deeds. Without limiting the foregoing, the filing of this Order with the Register in Chancery also

constitutes notice to all sureties and fidelity bondholders of IICRRG of all potential claims against IICRRG under such policies and shall constitute the perfection of a lien in favor of IICRRG under the Uniform Commercial Code or any like Federal or state law, regulation, or order dealing with the priority of claims.

18. The Receiver is hereby authorized to transfer some or all of IICRRG's Assets and liabilities to a separate affiliate or subsidiary for the overall benefit of IICRRG's policyholders, creditors, and stockholder, subject to approval of specific terms by this Court.

19. The Receiver may, in her discretion, reject any executory contract to which IICRRG is a party.

20. The Receiver may, in her discretion, appoint one or more consultants or other persons to serve as Deputy Receiver to assist the Receiver in accomplishing the directives of this Order. The Deputy Receiver(s) shall serve at the pleasure of the Receiver and, subject to the approval of the Receiver, shall be entitled to exercise all of the powers and authorities vested in the Receiver pursuant to this Order and applicable law.

21. The Receiver may employ or continue to employ and fix the compensation of such deputies, counsel, clerks, employees, accountants, actuaries, consultants, assistants and other personnel (collectively, the "Designees") as considered

necessary, and all compensation and expenses of the Receiver, the Deputy Receiver(s) and the Designees and of taking possession of IICRRG and conducting this proceeding shall be paid out of the funds and assets of IICRRG as administrative expenses under 18 Del. C. § 5913(f). The Receiver may also retain those of IICRRG's current management personnel and other employees as Designees as she in her discretion determines would facilitate the rehabilitation of IICRRG. All such Designees shall be deemed to have agreed to submit disputes concerning their rights, obligations and compensation in their capacity as Designees to this Court.

22. The Receiver, the Deputy Receiver(s), and the Designees (collectively, "Indemnitees") shall have no personal liability for their acts or omissions in connection with their duties, provided that such acts or omissions are or were undertaken in good faith and without willful misconduct, gross negligence, or criminal intent. All expenses, costs, and attorneys' fees incurred by the Indemnitees in connection with any lawsuit brought against them in their representative capacities shall be subject to the approval of the Receiver, except that in the event that the Receiver is the Indemnatee then this Court's approval shall be required, and such expenses, costs, and attorneys' fees shall be exclusively paid out of the funds and assets of IICRRG. The Indemnitees in their capacities

as such shall not be deemed to be employees of the State of Delaware.

23. At such time as the Receiver determines that a claim against the IICRRG estate requires adjudication in the rehabilitation proceedings of IICRRG and is ripe for such adjudication, the Receiver shall give notice by mail to any and all persons interested in such claim of the Receiver's proposed report and recommendation to the Court regarding the allowance or denial (in whole or in part) of such claim.

24. Within sixty (60) days of the mailing of the proposed report and recommendation, the interested person being given notice of such proposed report and recommendation may file a written objection thereto with this Court at 500 North King Street, Wilmington, Delaware, 19801, and the Receiver.

25. No hearing will be held regarding the proposed report and recommendation in the absence of a written objection thereto by a person interested therein.

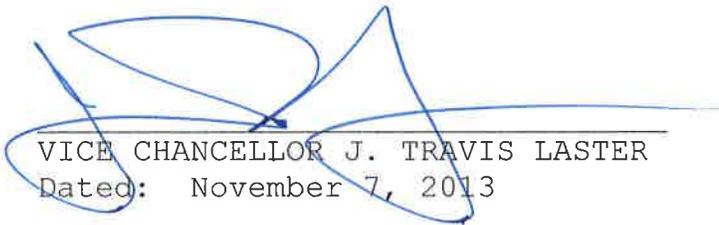
26. Hereafter the caption of this cause and all pleadings in this matter shall be: "IN THE MATTER OF THE REHABILITATION OF INDEMNITY INSURANCE CORPORATION, RRG."

27. This Court shall retain jurisdiction in this cause for the purpose of granting such other and further relief as this cause, the interests of the policyholders, creditors, stockholders of IICRRG, and the public may require. The

Receiver, or any interested party upon notice to the Receiver, may at any time make application for such other and further relief as either sees fit.

28. The request by RB Entertainment Ventures, LLC ("RB") for leave to intervene and oppose the application is denied. To the extent RB has a claim against the IICRRG estate, RB may give notice of its claim and file an objection to any proposed report and recommendation in the manner contemplated by this Rehabilitation and Injunction Order.

29. Because of actions previously taken by the Cohen Parties, the existence and general nature of the proceedings involving IICRRG has become a matter of public record. In light of that development and given the nature and purpose of this Order, the Court has determined that it shall be filed as a matter of public record.



VICE CHANCELLOR J. TRAVIS LASTER
Dated: November 7, 2013