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IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE: Lincoln General Insurance :
Company :
In Liquidation : No. 1 LIN 2015

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ORDER OF LIQUIDATION

AND NOW, this 5th day of November, 2015, upon consideration of the Petition for Review in the Nature of a Complaint for Order of Liquidation of Lincoln General Insurance Company ("Lincoln General") filed by Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania, and upon the unanimous consent of the Board of Directors of Lincoln General and of Walshire Assurance Company, the sole shareholder of Lincoln General, it is hereby **ORDERED** that:

1. The Petition for Liquidation is **GRANTED**, and Lincoln General is 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. Insurance Commissioner Teresa D. Miller and her successor in office, if any, are hereby **APPOINTED** Statutory Liquidator of Lincoln General and directed to take possession of Lincoln General's property, business and affairs in accordance with Article V.

3. 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

4. The Liquidator is vested with title to all property, assets, contracts and rights of actions (collectively "assets") of Lincoln General of whatever nature and wherever located, as of the date of filing of the Petition for Liquidation. All assets of Lincoln General 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 Lincoln General wherever they may be located and regardless of whether they are held in the name of Lincoln General or in any other name; (b) exclusive jurisdiction over all determinations as to whether assets belong to Lincoln General or to another party; (c) exclusive jurisdiction over all determinations of the validity and amounts of claims against Lincoln General; and (d) exclusive jurisdiction over the determination of the priority of all claims against Lincoln General.

5. 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 Lincoln General's principal office or place of business is located (York 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.

6. The Liquidator is directed to take possession of all assets that are the property of Lincoln General, and to administer the Lincoln General assets in accordance with the orders of this Court. Specifically, the Liquidator is directed to:

- (a) Inform all banks, investment bankers, companies, other entities or other persons having in their possession assets which are, or may be, the property of Lincoln General, unless otherwise instructed by the Liquidator, to deliver the possession of the same immediately to the Liquidator, and 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.
- (b) Inform all producers and other persons having sold policies of insurance issued by Lincoln General to account for and pay all unearned commissions and all premiums, collected or uncollected, for the benefit of Lincoln General directly to the Liquidator within 30 days of notice of this Order and that no producer, reinsurance intermediary or other person shall disburse or use any monies which come into their possession and are owed to, or claimed by Lincoln General for any purpose other than payment to the Liquidator.
- (c) Inform any premium finance company that has entered into a contract to finance a policy that has been issued by Lincoln General to pay any and all premium owed to Lincoln General to the Liquidator.
- (d) Inform all attorneys employed or retained by Lincoln General or performing legal services for Lincoln General as of the date of this Order that, within 30 days of notification, they must report to the Liquidator the name, company claim number (if applicable) and status of each matter they are handling on behalf of Lincoln General; the full

caption, docket number and name and address of opposing counsel in each case; an accounting of any funds received from or on behalf of Lincoln General for any purpose in any capacity; and, further, that the Liquidator need not make payment for any unsolicited report.

(e) Inform any entity that has custody or control of any data processing information and records (including but not limited to source documents, all types of electronically stored information, or other recorded information) relating to Lincoln General to transfer custody and control of such documents, in a form readable by the Liquidator, to the Liquidator as of the date of this Order, upon request.

(f) Inform any entity furnishing claims processing or data processing services to Lincoln General to maintain such services and transfer any such accounts to the Liquidator as of the date of this Order, upon request.

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

8. Lincoln General's directors, officers and employees shall: (a) surrender peaceably to the Liquidator the premises where Lincoln General 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 Lincoln General 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 Lincoln General in their possession or control, wherever located, and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

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

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

11. The amount recoverable by the Liquidator from any reinsurer shall not be reduced as a result of this Order of Liquidation. Payment made directly by the reinsurer to any principal or other creditor of Lincoln General shall not diminish the reinsurer's obligation to Lincoln General except to the extent provided by law.

CONTINUATION AND CANCELLATION POLICIES

12. All Lincoln General policies and contracts of insurance, whether issued within this Commonwealth or elsewhere, in effect on the date of this Order will continue in force for the lesser of the following: (1) thirty (30) days from the date of this Order; (2) until the normal expiration of the policy or contract providing insurance coverage; (3) until the insured has replaced the insurance coverage with equivalent insurance with another insurer or otherwise terminated

the policy; or (4) until the Liquidator has effected a transfer of the policy obligation pursuant to Section 523(8) of Article V, 40 P.S. §221.23(8).

NOTICE AND PROCEDURE FOR FILING CLAIMS

13. All claims against the estate of Lincoln General, together with proper proof thereof, shall be filed on or before July 6, 2016. No person shall participate in any distribution of the assets of Lincoln General 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.

14. No judgment or order against Lincoln General or its insureds entered after the date of filing of the Petition for Liquidation, and no judgment or order against Lincoln General 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 Lincoln General.

15. 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 Lincoln General has its principal places of business 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.

16. 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 Lincoln General, 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.

ADMINISTRATIVE EXPENSES

17. 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 Lincoln General.

18. Distribution of the assets of Lincoln General in payment of the costs and expenses of estate administration including, but not limited to, compensation for services of employees and professional consultants, such as attorneys, actuaries and accountants, shall be made under the direction and approval of the Court. This includes reimbursement to the Pennsylvania Insurance Department for expenses it has incurred in compensating professional consultants, attorneys and other persons it has engaged on behalf of Lincoln General for the preservation of its assets.

STAY OF LITIGATION

19. 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 Lincoln General or its assets, shall be brought against Lincoln General or the Liquidator, or against any of their employees, officers or liquidation officers for acts or omissions in their capacity as employees, officers or liquidation officers of Lincoln General 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 Lincoln General in the courts of the Commonwealth of Pennsylvania or elsewhere are hereby stayed; relief sought in these actions shall be pursued, as is appropriate, either by filing a proof of claim against the estate of Lincoln General pursuant to Section 538 of Article V, 40 P.S. §221.38, or by applying to intervene.

20. All secured creditors or parties, pledges, lienholders, collateral holders or other person claiming secured, priority or preferred interests in any property or assets of Lincoln General 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 Lincoln General except as provided in Section 543 of Article V, 40 P.S. §221.43.


RENÉE COHN JUBELIRER, Judge

Certified from the Record

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And Order Exit