

STUART RABNER  
ATTORNEY GENERAL OF NEW JERSEY  
22 South Clinton Avenue  
4 Station Plaza, 2<sup>nd</sup> Floor  
P.O. Box 117  
Trenton, New Jersey 08625  
Attorney for Plaintiff,  
Commissioner of the Department  
of Banking and Insurance

By: William B. Puskas, Jr.  
Deputy Attorney General  
(609) 633-9847

DONALD F. PHELAN  
CLERK OF SUPERIOR COURT  
SUPERIOR COURT OF N.J.  
MERCER COUNTY  
RECEIVED FILED

JAN 29 2007

*Don Puskas*  
THE REGAN  
CLERK OF SUPERIOR COURT

SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION-MERCER COUNTY  
DOCKET NO.

C-84-06

STEVEN M. GOLDMAN,  
COMMISSIONER OF THE  
DEPARTMENT OF BANKING AND  
INSURANCE OF NEW JERSEY,

Plaintiff,

v.

EAGLE INSURANCE COMPANY  
and THE ROBERT PLAN  
CORPORATION,

Defendants.

Civil Action

ORDER OF REHABILITATION

This matter having been opened to the Court by  
Zulima V. Farber, former Attorney General of New Jersey, by William  
B. Puskas, Jr., Deputy Attorney General, as attorney for plaintiff  
Steven M. Goldman, Commissioner of the Department of Banking and  
Insurance of the State of New Jersey ("Commissioner"), by way of

Verified Complaint and Order to Show Cause filed on July 19, 2006, directing the defendants to appear and show cause why an Order should not be entered (a) declaring Eagle Insurance Company ("Eagle") to be in such condition that further transaction of business will be hazardous to its policyholders, creditors or the public and directing the Commissioner to rehabilitate Eagle, and (b) granting such injunctive and other relief as may be necessary to accomplish said directive, with a hearing having been held on the Order to Show Cause on September 28, 2006, with proper notice having been given to the defendants, and ~~the Court having~~ *the parties having* engaged in several settlement conferences after oral ~~considered the Commissioner's application, and the evidence,~~ *argument and the parties having reached a* settlement as set forth on the record on January 18, 2007 and codified by a Consent Order dated ~~January 29, 2007 and Eagle Insurance having~~ *January 29, 2007 and Eagle Insurance having*

~~1. Eagle is a stock property and casualty insurance company authorized to transact insurance business in New Jersey since May 25, 1913, and is governed by the provisions of N.J.S.A.~~ *consented to the Order of Rehabilitation as set forth in paragraph 1 of that order*

17:17-1, et seq.

~~2. This Court has original jurisdiction over this delinquency proceeding pursuant to N.J.S.A. 17:30C-2.~~

~~3. Eagle is in such condition that further transaction of business will be hazardous to its policyholders,~~

creditors or the public. To protect policyholders, creditors and the public, Eagle must be placed in rehabilitation.

4. Sufficient grounds exist under N.J.S.A. 17:30C-1, et seq., for the entry of an order of rehabilitation, and such an Order of Rehabilitation should be entered pursuant to N.J.S.A. 17:30C-1.

IT IS, therefore, on this 29th day of JANUARY 2007,

ORDERED as follows:

1. The application of the Commissioner is hereby granted.

2. The Commissioner and his successors in office are hereby appointed Rehabilitator of Eagle and are vested, in addition to the powers set forth herein, with all the powers and authority expressed or implied under the provisions of N.J.S.A. 17:30C-1 et seq. The Rehabilitator may do all the acts necessary and appropriate for the accomplishment of the rehabilitation of Eagle. The Rehabilitator may appoint a Deputy Rehabilitator to assist him in accomplishing the directives of this Order. The Deputy Rehabilitator shall, subject to the approval of the Rehabilitator, be entitled to exercise all of the powers and authority vested in the Rehabilitator pursuant to this Order and applicable law and shall serve at the pleasure of the Rehabilitator. Compensation of the Deputy Rehabilitator shall be set by the Rehabilitator, and paid out of the funds and assets of Eagle. The Deputy

Rehabilitator shall have no personal liability for his acts or omissions in connection with his duties as Deputy Rehabilitator provided that such acts or omissions are undertaken or committed in good faith and without willful misconduct, or willful, wanton or gross negligence or criminal intent. The Deputy Rehabilitator shall not be deemed to be an employee of the State of New Jersey and thus, shall not be subject to the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq. All expenses and costs incurred by the Deputy Rehabilitator in connection with lawsuits against him in his personal capacity shall, subject to the prior written approval of the Commissioner and the court, be paid out of the funds and assets of Eagle provided that such lawsuits are not the result of any bad faith, willful misconduct, gross negligence or criminal actions on the part of the Deputy Rehabilitator.

3. The Rehabilitator is hereby directed to immediately begin conducting the business of Eagle and its New Jersey domiciled direct and indirect insurance subsidiaries, including but not limited to Newark Insurance Company ("Newark"), GSA Insurance Company ("GSA") and National Consumer Insurance Company ("NCIC"), herein referred to collectively (including Eagle) as "Eagle Insurance Group", and to begin taking such steps as the Rehabilitator or his designee may deem appropriate toward removing the cause and conditions which have made rehabilitation necessary. The Rehabilitator is hereby authorized to take such necessary steps

as he may deem appropriate to protect and preserve the assets of the Eagle Insurance Group companies.

4. The Rehabilitator is hereby vested with title to all assets, including but not limited to any of the Eagle Insurance Group companies' contracts, causes of action, books, records, bank accounts, certificates of deposits, funds, securities or other funds and all real or personal property of any nature, including furniture, fixtures and office supplies, wherever located, including such property of any of the Eagle Insurance Group companies which may be discovered hereafter, and is hereby directed to take immediate and exclusive possession and control of same. The filing or recording of this Order with the Clerk of this Court and with the recorder of deeds of the jurisdiction in which Eagle's corporate administrative offices are located or, in the case of real estate, with the recorder of deeds of the jurisdictions where the properties are located, shall impart the same notice as would be imparted by a deed, bill of sale, or other evidence of title filed or recorded. Except as otherwise indicated elsewhere in this Order, and upon notice provided by the Rehabilitator, all agents and brokers and all other persons or entities holding funds, assets or property of or on behalf of any of the Eagle Insurance Group companies shall forthwith file an accounting of those funds, assets or property with the Rehabilitator and shall, within 10 days of the

service of this Order, turn said funds, assets or property over to the Rehabilitator.

5. Until further order of this Court, no obligation of any of the Eagle Insurance Group companies nor any claim of any nature shall be paid except those which in the discretion of the Rehabilitator are necessary to conduct the business of Eagle pursuant to the within proceeding. Each of the Eagle Insurance Group companies and its directors, trustees, officers, employees, agents or representatives are hereby enjoined, restrained and prohibited from paying any claims or obligations of any of the Eagle Insurance Group companies without the express written consent or directive of the Rehabilitator or his designees or appointees.

6. All persons, corporations, partnerships and all other entities, wherever located, are hereby enjoined and restrained from interfering in any manner with the Rehabilitator's possession, title and rights to the assets and property of any of the Eagle Insurance Group companies and from interfering in any manner with the conduct of the rehabilitation of Eagle. Those persons, corporations, partnerships, and all other entities are hereby permanently enjoined and restrained from wasting, transferring, selling, concealing, destroying, disbursing, disposing of, or assigning any assets, contracts, causes of action, funds, or other property of any nature of any of the Eagle Insurance Group companies.

7. The Rehabilitator may change to his own name the name of any of the Eagle Insurance Group companies' accounts, funds or other property or assets held with any bank, savings and loan association or other financial institution, wherever located, and may withdraw such funds, accounts, and other assets from such institutions or take any lesser action necessary for the proper conduct of the rehabilitation.

8. All secured creditors or parties, lienholders, collateral holders or other persons claiming secured, priority or preferred interests in any property or assets of any of the Eagle Insurance Group companies, including any governmental entity, are hereby permanently enjoined from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against any property or assets of any of the Eagle Insurance Group companies.

9. All officers, directors, trustees, shareholders, policyholders, agents, and employees of each of the Eagle Insurance Group companies and all other persons or entities of any nature, including but not limited to claimants, reinsurers, plaintiffs, petitioners and any governmental agencies having claims of any nature against any of the Eagle Insurance Group companies, including crossclaims, counterclaims and third party claims, are hereby enjoined and restrained from:

- (a) Conducting any portion or phase of the business of any of the Eagle Insurance Group companies unless so authorized by the Rehabilitator or his designee;
- (b) Pursuing litigation against any of the Eagle Insurance Group companies, including bringing, maintaining or further prosecuting any action at law or equity, arbitration, special, or other proceeding against Eagle or its direct and indirect insurance subsidiaries or against the Commissioner and his successors in office as Rehabilitator thereof, or against the Deputy Rehabilitator appointed pursuant to paragraph 2 above;
- (c) Making or executing any levy upon the property of any of the Eagle Insurance Group companies;
- (d) Instituting, maintaining or further presenting any suit at law or equity or any collection activity, or any other proceeding of any nature against any policyholder or insured of any of the Eagle Insurance Group companies resulting from Eagle's financial condition or the failure of any of the Eagle Insurance Group companies to pay any claim or to meet any of its contractual obligations due to its financial impairment;
- (e) Interfering in any way with the Rehabilitator, or any successors in office, in his possession of or title to the property and assets of any of the Eagle Insurance Group companies, or in the discharge of his duties pursuant to this Order. All persons or entities of any nature, other than the Rehabilitator,



are hereby restrained from commencing, maintaining or further prosecuting any direct or indirect actions against any reinsurer of Eagle or its direct and indirect insurance subsidiaries for proceeds of reinsurance policies issued to and treaties or other agreements with any of the Eagle Insurance Group companies.

10. Each of the Eagle Insurance Group companies, its officers, directors, policyholders, agents and employees, and all other persons or entities of any nature, having any property or records belonging to Eagle, or pertaining to the business of Eagle or its direct and indirect insurance subsidiaries, including data processing information and records of any kind, are hereby directed to assign, transfer and deliver to the Rehabilitator all of such property in whatever name the same may be, and any persons, firms or corporations having any books, papers or records relating to the business of Eagle or its direct and indirect insurance subsidiaries shall preserve the same and submit these to the Rehabilitator for examination at all reasonable times.

11. The Rehabilitator shall have the power:

(a) to conduct the business of each of the Eagle Insurance Group companies under the general supervision of the Court;

(b) to honor, as expenses of administration, all expenses heretofore incurred by the Commissioner as Administrative

Supervisor, or by his designees and appointees, which currently remain unpaid;

(c) to pay from the funds or assets of any of the Eagle Insurance Group companies or from such other funds that may become available to him all expenses of marshaling, taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business and property of Eagle or its direct and indirect insurance subsidiaries;

(d) to collect all debts and monies due and claims belonging to any of the Eagle Insurance Group companies, wherever located, where economically feasible and for this purpose:

(i) to institute and maintain timely actions in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts;

(ii) to do such other acts as are necessary or expedient to marshal, collect, conserve or protect any of the Eagle Insurance Group companies' assets or property, or the assets and property of its direct and indirect insurance subsidiaries, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as he deems appropriate, and the power to initiate and maintain actions at

law or equity or any other type of action or proceeding of any nature, in this and other jurisdictions;

(iii) to pursue any creditor's remedies available to enforce the Rehabilitator's claims;

(e) to conduct public and private sales of the assets and property of any of the Eagle Insurance Group companies, including any real property;

(f) to acquire, invest, deposit, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with any asset or property of any of the Eagle Insurance Group companies, and to sell, reinvest, trade or otherwise dispose of any securities or bonds presently held by any of the Eagle Insurance Group companies, upon such terms and conditions as the Rehabilitator deems to be fair and reasonable, irrespective of the value at which such property was last carried on the books of any of the Eagle Insurance Group companies. The Rehabilitator shall also have the power to execute, acknowledge and deliver any and all deeds, assignments, releases and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the rehabilitation;

(g) upon approval of the Court, to borrow money on the pledge of assets of any of the Eagle Insurance Group companies with or without security and to execute and deliver all documents

necessary to that transaction for the purpose of facilitating the rehabilitation. Neither the Commissioner nor his designees or appointees shall be held liable in their official or personal capacities for any loans made for such purposes;

(h) to enter into such contracts as are necessary to carry out this Order and to affirm or disavow any contracts to which any of the Eagle Insurance Group companies is a party;

(i) to institute and to prosecute, in the name of Eagle or in his own name or in the name of any of the Eagle Insurance Group companies, any and all suits and other legal proceedings, to defend suits to which Eagle or its direct and indirect insurance subsidiaries or the Rehabilitator is a party, in this State or elsewhere, commenced prior or subsequent to this Order, to abandon the prosecution or defense of suits, legal proceedings and claims which he deems inappropriate to pursue further and to compromise suits, legal proceedings or claims on such terms and conditions as he deems appropriate;

(j) to prosecute any action which may exist on behalf of the creditors, policyholders or shareholders of any of the Eagle Insurance Group companies against any officer or director of any of the Eagle Insurance Group companies or any other person or entity;

(k) to perform such further and additional acts as he may deem necessary or appropriate for the accomplishment of or in aid of the purpose of rehabilitation, it being the intention of

this Order that the aforesaid enumeration of powers shall not be construed as a limitation upon the Rehabilitator or Deputy Rehabilitator.

12. The Rehabilitator may at his discretion as of the date of this Order discontinue the defense of claims, suits and other proceedings, in this State and elsewhere, in which the insureds of any of the Eagle Insurance Group companies are parties, including those claims made and suits and proceedings undertaken prior to the date of this Order.

13. The Rehabilitator shall give or cause to be given notice of the entry of this Order as soon as possible by publication in a newspaper of general circulation in the counties in which any of the Eagle Insurance Group companies currently has its corporate and administrative offices as well as in the New York Times or the Wall Street Journal; the Newark Star Ledger, the Courier Post, <sup>The New Jersey Law Journal and The New Jersey Lawyer</sup> and such other newspapers circulated in such locations that the Rehabilitator may deem appropriate. Such publication shall commence within 20 days of the date of this Order and shall be repeated once a week thereafter for two successive weeks.

14. The amounts recoverable by the Rehabilitator from any reinsurer of any of the Eagle Insurance Group companies shall not be reduced as a result of this delinquency proceeding, or by reason of any partial payment or distribution on a reinsured

policy, contract or claim. Setoffs shall be allowed between any of the Eagle Insurance Group companies and its reinsurer only with the consent of the Rehabilitator. Unless either the insurance contract or an applicable statute provides to the contrary, payment made directly to an insured or other creditor shall not diminish the reinsurer's obligation to any of the Eagle Insurance Group companies.

15. (a) Any agent, broker, premium finance company, or any other person, other than the insured, responsible for the payment of a premium, shall be obligated to pay any unpaid premiums, whether earned or unearned, as shown on the records of any of the Eagle Insurance Group companies as of the date of entry of this Order. No credit or set-off shall be allowed in favor of such person against his account with any of the Eagle Insurance Group companies for the unearned portion of the premium on any canceled contract or policy, unless:

(i) that contract or policy was canceled prior to the entry of this Order; and

(ii) the unearned premium on the canceled contract or policy was in fact refunded or credited to the insured or his or her assigns prior to the entry of this Order.

The Rehabilitator shall also have the right to recover from such person any part of an unearned premium that represents a commission to such person.

(b) All group and individual policyholders of any of the Eagle Insurance Group companies shall be obligated to pay any unpaid earned premium due to any of the Eagle Insurance Group companies at any time, as shown on the records of Eagle or its direct and indirect insurance subsidiaries.

16. Existing contracts and other obligations by and between any of the Eagle Insurance Group companies and any reinsurer may, at the discretion of the Rehabilitator, be terminated. Such termination shall be effected by written notice issued by the Rehabilitator addressed to the reinsurer;

17. All further papers filed in these proceedings shall bear the caption and be entitled:

"I/M/O the Rehabilitation of Eagle Insurance Company"

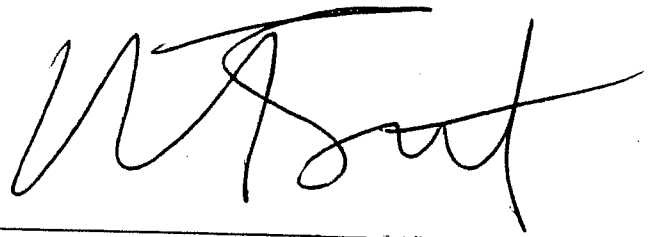
18. If any provision of this Order or the application thereof is for any reason held to be invalid, the remainder of this order and the application thereof to other persons or circumstances shall not be affected.

19. Any person, corporation or other entity having notice of this order who fails to abide by its terms shall be directed to appear before this Court to show good cause, if any

they may have, as to why they should not be held in contempt of Court for violation of the provisions of this Order.

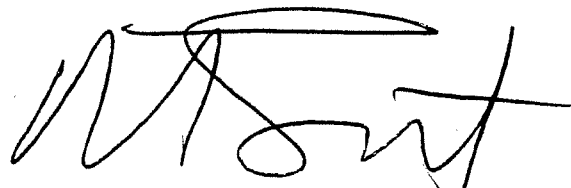
20. The Commissioner as Rehabilitator may at any time make further application for such additional and different relief as he sees fit.

21. This Court shall retain jurisdiction for all purposes necessary to effectuate and enforce this Order.



Neil H. Shuster, P.J.Ch.Div.

22. By February 26, 2007, the Rehabilitator shall provide the Court with an up-dated schedule indicating the pending lawsuits in the State of New Jersey.



Neil H. Shuster, P.J.Ch.



A	B	C	D	E	F	G
CARRIER	CLAIM #	CLAIMANT NAME	COURT	COUNTY	DOCKET #	
1	EAGLE	BE1-3800-0536-9-801	Victoria Drayton	Superior	Burlington	BUR-L-00065-05
2	EAGLE	EAI-3000-0174-5-103	Robert Walker (minor)	Superior	Hudson	HUD-L-193-06
3	EAGLE	EAI-3000-6606-0-101	Sergey Libizov	Superior	Middlesex	MID-L-5635-03
4	EAGLE	EAI-3000-6676-6-201	Robert C. Meier	Superior	Middlesex	L-4415-05
5	EAGLE	EAI-3000-5163-8-805	Edward Smith	Superior	Middlesex	MID-L-9512-02
6	EAGLE	EAI-3000-6660-4-801	Steven Pawlowski	Superior	New Haven, CT	CV03 0484661 S
7	EAGLE	EAI-3000-6660-4-801	Steven Pawlowski	Superior	New Haven, CT	CV03 0484661 S
8						
9	GSA	SA1-5600-1486-6-103	Joshua McNellis (minor)	Superior	Gloucester	GLO-L-927-04
10	GSA	SM1-2600-3215-5-104	Melitina Santiago	Superior	Middlesex	MID-L-7154-03
11	GSA	SA1-8500-0618-3-103	Dorothy McDonald	Superior	Monmouth	MON-L-3048-01
12	GSA	SA1-5600-1073-5-809	Harriet Wornack	Superior	Monmouth	MON-L-1490-04
13	GSA	SM1-2500-6101-7-102	Jose Salamanca	Superior	Passaic	PAS-L-3858-04
14	GSA	SA1-5600-1002-0-103	Nick Devone	Superior	Union	UNN-L-486-02
15	GSA	SM1-2500-6013-4-105	Concetta Bongiovi	Superior	Union	UNN-L-1569-04
16						
17	NEWARK	SK0-2600-6665-5-104	Goldberg	Superior	Burlington	BUR-L-00077-03
18	NEWARK	SK0-2601-2329-9-101	Lisa Inge	Superior	Camden	CAM-L-4158-04
19	NEWARK	NK0-2100-0973-9-703	Dorothy Burke	Superior	Cumberland	CUM-L-1127-00
20	NEWARK	SK0-2601-1220-1-703	Bianca Soto	Superior	Cumberland	CUM-L-150-06
21	NEWARK	NK0-2100-4134-6-101	Dorothy Osborne	Superior	Essex	ESX-L-1987-02
22	NEWARK	NK0-2100-4134-6-102	Mittie Smith	Superior	Essex	ESX-L-1987-02
23	NEWARK	NK0-2100-4134-6-103	Carvin Thompson	Superior	Essex	ESX-L-1987-02
24	NEWARK	NK2-5000-4340-2-002	Newark Ins Co.	Superior	Middlesex	MID-L-6987-03
25	NEWARK	SK0-2601-1893-8-104	Margarette Miguel	Superior	Monmouth	MON-L-1637-03
26	NEWARK	NK2-0400-5992-0-003	Carol Abrantes	Superior	Ocean	OCN-L-2705-99
27	NEWARK	SK0-2601-2134-4-106	Maria Meredith	Superior	Ocean	OCN-L-898-04
28	NEWARK	SK0-2601-2511-7-104	Daniel Colon	Superior	Passaic	PAS-L-47704-04
29	NEWARK	SK0-2601-2511-7-106	Emanuel Claudio	Superior	Passaic	PAS-L-47704-04
30	NEWARK	SK0-2601-2565-3-801	Thomas Barilari	Superior	Passaic	PAS-L-3580-05
31	NEWARK	SK0-2601-2511-7-707	Betty White	Superior	Passaic	PAS-L-2609-04
32	NEWARK	SK0-2600-9360-7-805	Jan Pawlik, Sr.	Superior	Passaic	PAS-L-3173-06
33	NEWARK	SK0-2500-7795-7-701	Orlando Prode	Superior	Union	UNN-L-004141-03



