



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF: )  
 )  
INDEMNITY INSURANCE CORPORATION, ) C.A. No. 8601  
RRG, IN REHABILITATION )

**LIQUIDATION AND INJUNCTION ORDER WITH BAR DATE**

WHEREAS, the Honorable Karen Weldin Stewart, CIR-ML, in her capacity as the Insurance Commissioner of the State of Delaware ("Commissioner"), has filed a petition (the "Petition") seeking the entry of a Liquidation and Injunction Order with Bar Date concerning Indemnity Insurance Corporation, RRG, a Delaware domestic risk retention group ("IICRRG"), pursuant to 18 Del. C. §5901, *et seq.* and ch. 69.

WHEREAS, on or about May 30, 2013, the Court of Chancery of the State of Delaware entered a Confidential Seizure and Injunction Order pursuant to Section 5943 of Title 18 of the Delaware Code as the Commissioner had uncovered several areas of high concern regarding IICRRG's financial viability; the principal of IICRRG, Jeffrey B. Cohen, had attempted to obfuscate and frustrate the Delaware Department of Insurance ("Department") in its efforts to examine, confirm and quantify its concerns, including Cohen's apparent submission of a fraudulent bank confirmation to the Department and financial statements that misrepresented the character, amount, and

ownership of IICRRG's assets; and IICRRG's conduct and that of its principal, Cohen, had placed IICRRG in a condition that rendered its further transaction of insurance presently, and prospectively, hazardous to its policyholders;

WHEREAS, on November 7, 2013, this Court entered a Rehabilitation and Injunction Order placing IICRRG into rehabilitation on two grounds;

WHEREAS, sixty (60) days have passed since the entry of the Order and IICRRG has been unable to develop a Rehabilitation Plan to remediate and correct the financial impairment of IICRRG and the financial condition of the company has continued to deteriorate;

WHEREAS, since the seizure of IICRRG, ongoing investigation by the Department and the appointees and designees of the Commissioner has confirmed the Department's concerns that formed the basis of the seizure of IICRRG and has uncovered several additional fraudulent acts by Cohen. Those acts, together with the previously suspected and confirmed acts, provide prima facie evidence that IICRRG is in a condition that renders its further transaction of insurance presently, and prospectively, hazardous to its policyholders;

WHEREAS, since the seizure of IICRRG, ongoing examination of IICRRG by the Department and the appointees and designees of

the Commissioner, as well as the management of IICRRG, has confirmed and determined that IICRRG is insolvent;

WHEREAS, this Court is authorized pursuant to 18 *Del. C.* §§ 5905, 5906 and 6918 to issue, after a hearing upon notice to the insurers' management, a Liquidation and Injunction Order concerning a Delaware domestic risk retention group upon application of the Commissioner evidencing that grounds for a formal delinquency proceeding exist concerning such insurer;

WHEREAS, the Commissioner has provided the Court with evidence sufficient to support the conclusion that IICRRG is insolvent, in an unsound condition and in such condition as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, other creditors and the public and has also provided other evidence that supports the grounds for liquidation under 18 *Del. C.* §§ 5905 and 5906;

WHEREAS, it appears that sufficient grounds for the issuance of such an Order exist pursuant to 18 *Del. C.* §§ 5905 and 5906, as well as 18 *Del. C.* ch. 59 and 69;

WHEREAS, the Court denied without prejudice a petition to intervene filed by RB Entertainment, LLC, and RB Entertainment has not renewed its petition within the time limit set by the Court; and

WHEREAS, there are no pending objections to the entry of this Order;

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED and DECREED:

1. IICRRG is hereby declared to be in an unsound condition and in such condition as to render its further transaction of insurance presently or prospectively hazardous to its policyholders.

2. The Commissioner is appointed as the Receiver of IICRRG pursuant to the provisions of 18 Del. C. ch. 59 and 69.

3. Pursuant to 18 Del. C. §5911, the Receiver shall forthwith take and continue exclusive possession of the property of IICRRG, liquidate its business, deal with IICRRG's property and business in the name of the Commissioner or in the name of IICRRG. Further, the Receiver shall take and continue to control and be vested and 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 and rights to collateral of IICRRG, securities or other funds, and all real or personal property of any nature of IICRRG, including, without limitation, all proceeds or accessions to any of the foregoing, wherever located, in the possession, custody, or control of IICRRG or any

trustee, bailee, or any agent acting for or on behalf of IICRRG (collectively, the "Assets").

4. If the Receiver has not already done so, 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 liquidation.

5. The Receiver is further authorized to take such actions as the nature of this cause and interests of the policyholders, principals, obligees, claimants, creditors, and stockholder of IICRRG and the public may require in accordance with 18 Del. C. ch. 59.

6. The Receiver is hereby authorized to continue 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, claimants, 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 in her capacity as the Receiver of IICRRG.

7. Pursuant to the May 30, 2013 Confidential Seizure and Injunction Order, the Rehabilitation Order, and continuing through this Liquidation and Injunction Order, the Receiver is 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 Petition, 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,

cancel or rescind any reinsurance policy or contract that is contrary to the best interests of the receivership.

8. 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 of IICRRG or have notice of these proceedings or of this Order are enjoined, restrained and prohibited from transacting any business of IICRRG or selling, transferring, destroying, wasting, encumbering or disposing of any property, assets, books or records of IICRRG whether such assets, property, books or records are or may be the property of IICRRG, without the prior written permission of the Receiver or until further Order of this Court. This prohibition includes, but is not limited to, Assets or possible Assets pertaining to any business transaction between IICRRG and any party. 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").

9. Except as noted elsewhere in the Order or as excluded by express written notice provided by the Receiver, all persons or entities holding Assets of IICRRG are required to file with the Receiver within ten (10) calendar days of notice of the entry of this Order an accounting of those Assets with the Receiver, regardless of whether such parties or entities dispute the Receiver's entitlement to such Assets. Such parties or entities are required to turn over such Assets to the Receiver, within ten (10) calendar days of notice of the entry of the Order, regardless whether such persons or entities dispute the Receiver's entitlement to such Assets. For the avoidance of doubt, these provisions apply to the Cohen Parties.

10. All persons and entities that have notice of these proceedings or of this Order are prohibited from instituting or further prosecuting any action at law or in equity or in other proceedings against IICRRG or the Commissioner as 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 of 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 under the Order. For the avoidance of doubt, this provision applies to the Cohen Parties.

11. All persons or entities that have notice of these proceedings or the Order are 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 of the Order, except as otherwise approved by the Receiver or this Court. For the avoidance of doubt, this provision applies to the Cohen Parties.

12. 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 liquidation proceedings of IICRRG or as otherwise approved by the Receiver

or this Court. For the avoidance of doubt, this provision applies to the Cohen Parties.

13. All insurance policies and contracts of insurance issued by IICRRG, whether issued in the State of Delaware or elsewhere, in effect as of the date of this Liquidation and Injunction Order with Bar Date shall only continue in force until the earlier of the following events: (a) the stated expiration or termination date and time of the insurance policy or contract of insurance; (b) the effective date and time of a replacement insurance policy or contract of insurance of the same type issued by another insurer regardless of whether the coverage is identical coverage; (c) the effective date and time that the IICRRG insurance policy or contract of insurance obligation is transferred to another insurer or entity authorized by law to assume such obligation; or (d) the cancellation and termination for all purposes of the insurance policy or contract of insurance at 12:01 a.m. on the eighteenth (18th) day of April 2014 or the thirtieth (30th) calendar day from the date of this Order whichever is later pursuant to subparagraph 14 below.

14. Except for those insurance policies or contracts of insurance which expire or are cancelled or terminated earlier as set forth in subparagraph 13 (a) through (d) above, all insurance policies or contracts of insurance issued by IICRRG,

whether issued in the State of Delaware or elsewhere, in effect as of the date of this Liquidation and Injunction Order with Bar Date, are hereby cancelled and terminated for all purposes as of 12:01 a.m. on the eighteenth (18th) day of April 2014 or the thirtieth (30th) calendar day following the date of this Liquidation and Injunction Order with Bar Date whichever is later ("Cancellation Date"). For purposes of this paragraph 14, even if Cancellation Date is a Saturday, Sunday, or holiday, the insurance policy or contract of insurance shall be cancelled and terminated as of the Cancellation Date. The Receiver shall notify promptly all policyholders as applicable of such policy or contract cancellation and termination by United States first class mail at the last known address of such policyholders.

15. Pursuant to 18 Del. C. §5924, the rights and liabilities of IICRRG and of its creditors, policyholders, claimants, stockholders, members, subscribers and all other persons interested in its estate shall, unless otherwise directed by the Court, be fixed as of the date this Liquidation and Injunction Order with Bar Date is docketed, subject to the provisions of Chapter 59 of Title 18 of the Delaware Code with respect to the rights of claimants holding contingent claims.

16. ANY AND ALL CLAIMS NOT FILED WITH THE RECEIVER ON OR BEFORE THE CLOSE OF BUSINESS ON January 16, 2015 (THE "BAR DATE") SHALL BE BARRED FROM CLASSES III THROUGH VI AS THOSE

CLASSES ARE DEFINED IN 18 DEL. C. §§5918(e)(3) THROUGH (e)(6) AND SHALL NOT RECEIVE ANY DISTRIBUTIONS FROM THE GENERAL ASSETS OF THE ESTATE OF IICRRG UNLESS AND UNTIL ASSETS BECOME AVAILABLE FOR A DISTRIBUTION TO CLASS VII CLAIMANTS AS DEFINED IN 18 DEL. C. §5918(e)(7). THIS BAR DATE SHALL SUPERSEDE ANY APPLICABLE STATUTES OF LIMITATIONS OR OTHER STATUTORY OR CONTRACTUAL TIME LIMITS WHICH HAVE NOT YET EXPIRED WHETHER ARISING UNDER DELAWARE LAW, UNDER THE APPLICABLE LAWS OF ANY OTHER JURISDICTION, OR UNDER A CONTRACT WITH IICRRG BUT SHALL ONLY APPLY TO CLAIMS AGAINST IICRRG IN THE LIQUIDATION PROCEEDINGS AND DOES NOT APPLY TO, AND EXCLUDES, CLAIMS BROUGHT BY IICRRG. ALL CLAIMANTS SHALL ATTACH TO SUCH PROOF OF CLAIM DOCUMENTATION SUFFICIENT TO SUPPORT SUCH CLAIM. THE FILED CLAIMS SHALL NOT BE REQUIRED TO BE LIQUIDATED AND ABSOLUTE ON OR BEFORE THE BAR DATE SET FORTH HEREIN.

17. CONTINGENT AND UNLIQUIDATED CLAIMS THAT ARE PROPERLY FILED WITH THE RECEIVER IN ACCORDANCE WITH THIS ORDER SHALL ONLY BE ELIGIBLE TO SHARE IN A DISTRIBUTION OF THE ASSETS OF IICRRG IN ACCORDANCE WITH 18 DEL. C. §5928.

18. Within thirty (30) calendar days after docketing of this Order, or as soon as possible after an interested party or potential creditor subsequently becomes known to the Receiver, the Receiver shall serve a copy of this Liquidation and Injunction Order With Bar Date, a proof of claim form and the

instructions for the proof of claim form, on all interested parties, all known potential creditors, all current and former stockholders of IICRRG, all former Board members of IICRRG, its third party adjusters, its managing general underwriters, its brokers, its agents, its reinsurer(s), and any reinsurance intermediaries, all other known vendors, all state insurance guaranty associations providing coverage for the lines of business written by IICRRG, and all State Insurance Commissioners by United States first class mail, postage prepaid, provided that in the Receiver's discretion such notice may be mailed instead by United States first class certified mail, return receipt requested, or other United States mail providing proof of mailing, to such interested party or potential creditor's last known address in the company's files.

19. Within thirty (30) calendar days after docketing of this Order, the Receiver shall also publish a legal notice, concerning the entry of the Liquidation and Injunction Order with Bar Date, the January 16, 2015 Bar Date, and the proof of claim requirements one time in the New York Times, and such other news publications of general circulation as the Receiver in her discretion deems appropriate to provide notice to such parties.

20. Within thirty (30) calendar days after docketing of this Order, the Receiver shall also publish this Liquidation and

Injunction Order with Bar Date, the proof of claim form, and the instructions to the proof of claim form on the Delaware Department of Insurance website.

21. Pursuant to the provisions of 18 Del. C. §§5904(b) and 5928(c), no judgment against IICRRG and/or one or more of its insureds taken after the date of entry of this Liquidation and Injunction Order with Bar Date shall be considered in the liquidation proceedings as evidence of liability or of the amount of damages, and no judgment against IICRRG and/or one or more of its insureds taken by default or by collusion prior to the entry of the Liquidation and Injunction Order with Bar Date shall be considered as conclusive evidence in the liquidation proceedings, either of the liability of IICRRG and/or one or more of its insureds to such person or entity upon such cause of action or of the amount of damages to which such person or entity is therein entitled.

22. The Receiver shall submit claim Recommendation Reports to the Court within a reasonable time after the Receiver's investigation concerning all claims submitted by a particular claimant has been completed.

23. 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.

24. 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, its policyholders, principals, creditors, and stockholders, subject to approval by this Court.

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

26. 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.

27. 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 liquidation 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.

28. The Receiver, the Deputy Receiver(s), and the Designees (collectively, the "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

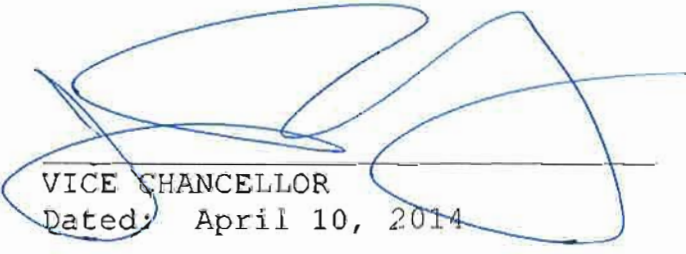


any lawsuit brought against them in their representative capacities shall be subject to the approval of the Receiver, except that in the event that the Receiver is the Indemnitee this Court's approval shall be required, and such expenses, costs, and attorneys' fees shall be exclusively paid out of the funds and assets of IICRRG. The Indemnitees in their capacities as such shall not be deemed to be employees of the State of Delaware.

29. Hereafter the caption of this cause and all pleadings in this matter shall read as:

"IN THE MATTER OF THE LIQUIDATION  
OF INDEMNITY INSURANCE CORPORATION, RRG"

30. 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, claimants, 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.



VICE CHANCELLOR  
Dated: April 10, 2014