STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

COMMISSIONER OF INSURANCE
OF THE STATE OF MICHIGAN,

Plaintiff,

File No. 97-86662-CR

v

HON. WILLIAM E. COLLETTE

LINCOLN MUTUAL CASUALTY COMPANY,
A Michigan domestic insurance company

IN LIQUIDATION

Defendant.
_____/

ORDER:
(1) RATIFYING CLAIM ADJUDICATION PROCEDURES;
(2) RATIFYING PRIORITY OF DISTRIBUTION OF CLAIMS;
(3) APPROVING CLAIM RECOMMENDATIONS;
(4) APPROVING DISBURSEMENT AGREEMENT BETWEEN THE LIQUIDATOR AND MPCGA;
(5) AUTHORIZING FINAL DISTRIBUTION OF ESTATE ASSETS; AND
(6) APPROVING SHORTENED HEARING NOTICE / LIMITED SERVICE

At a session of said Court
held in the Circuit Courtrooms
for the County of Ingham,
State of Michigan, on the
19th day of March, 2014.

PRESENT: HONORABLE WILLIAM E. COLLETTE, CIRCUIT COURT JUDGE

WHEREAS, Annette E. Flood, Director of the Michigan Department of Insurance and Financial Services and duly appointed Liquidator of Lincoln Mutual Casualty Company (the "Liquidator")[1] has filed the "*Liquidator's Petition for an*

[1] Pursuant to Executive Order No. 2013-1 effective March 18, 2013, the Michigan Office of Financial and Insurance Regulation ("OFIR") was renamed the Michigan Department of Insurance and Financial Services ("DIFS") and all the authority, powers, duties, functions, and responsibilities of

Order: (1) Approving the Liquidator's Claim Recommendations; (2) Ratifying Priority of Distribution of Claims; and (3) Authorizing Final Distribution of Estate Assets" (the "Petition"), which also sought other relief not expressly included in the Petition's title; and

WHEREAS, on August 29, 1997, this Court entered an Order of Liquidation placing Lincoln Mutual Casualty Company ("Lincoln Mutual") into liquidation, appointing the Commissioner/Director as the Receiver/Liquidator for Lincoln Mutual, and appointing James E. Gerber as Lincoln Mutual's Special Deputy Receiver/Liquidator; and

WHEREAS, the Liquidator served the Petition, together with the attached Exhibits and Notice of Hearing:

(1) Via U.S. First Class Mail and e-mail on March 17, 2014 to counsel for the Michigan Property & Casualty Guaranty Association ("MPCGA"), the party having the predominant interest in the proposed distributions and other relief sought by the Petition. In addition, the draft Petition was provided to, reviewed, and approved by the MPCGA's counsel before it was filed; and

(2) On other parties that may have a remote or potential interest in the Petition by submitting an electronic copy to DIFS for posting on the DIFS website, www.michigan.gov/difs, under the section "Who We Regulate," the subsection "Receiverships," and the sub-subsection "Lincoln Mutual."

The Liquidator intends to serve this resulting Order in the same manner; and

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the former Commissioner of OFIR ("Commissioner") were transferred to the newly-created position of the Director of DIFS ("Director"). Governor Snyder duly appointed Annette E. Flood as the Director of DIFS effective November 1, 2013, making her the Liquidator of Lincoln Mutual as of that date.

WHEREAS, the Court having reviewed the Petition and any objections or responses filed thereto, having heard oral arguments on March 19, 2014 at 9:00 a.m., and being otherwise fully advised;

NOW, THEREFORE, IT IS HEREBY ORDERED THAT the Court APPROVES and GRANTS the Petition, and more specifically:

1. The Court ratifies and approves the claim handling and adjudication procedures used by the Liquidator as described in the Petition.

2. The Court ratifies and approves the priority of distribution of claims used by the Liquidator to administer and adjudicate claims filed against the Lincoln Mutual Liquidation Estate, which complied with the statutory priority requirements contained in MCL 500.8142. In addition, the Court formally ratifies and approves the Liquidator imposing the requirement in MCL 500.8142(1) that "[e]very claim in each class shall be paid in full or adequate funds retained for their payment before the members of the next class receive payment."

3. The Court approves the Liquidator's final claim report and recommendations, which are summarized in the Petition and detailed in Exhibits C and D thereto.

4. The Court approves the Agreement for Disbursement of Funds entered into between the Liquidator and the MPCGA, an executed copy of which is attached as Exhibit B to the Petition.

5. The Court authorizes the Liquidator to make the following final distributions from the assets of the Lincoln Mutual Liquidation Estate, and further

authorizes the Liquidator and/or Special Deputy Liquidator to execute any necessary documentation and take such other action required to finalize these distributions: (a) a distribution to the MPCGA in the amount of $2,150,493, which represents a payment of 100% on its Class 1 administrative expense claim; and (b) distributions to the MPCGA in the amount of $5,759,781 and to Citizens Insurance Co. in the amount of $1,709, which represent a pro-rata 58.60% payment on the total allowed amount of their respective Class 2 claims. Based on the Estate's assets as of December 31, 2013 (Exhibit G to the Petition), after these distributions are made the Estate will retain approximately $133,467 in reserves to pay the Class 1 final administrative costs and expenses of closing the Estate, which this Court also approves.

6. The Liquidator shall retain records necessary to permit the final adjudication of Class 3, 5, 7, and 8 claims and/or pro-rata distributions to these claimants in the unlikely event that additional Estate assets are recovered and are available to pay such claims. At a minimum, the Liquidator shall retain these records until the Liquidator applies for and the Court grants a discharge in this liquidation proceeding under MCL 500.8146.

7. Due to the exigencies described in the Petition, and because the MPCGA has previously agreed to the distributions outlined above (Exhibit B to the Petition) while Citizens Insurance Co. was notified of its distribution and did not object, and further because the MPCGA reviewed and approved the Petition before

it was filed, the Court ratifies and approves the expedited hearing on the Petition following a shortened, 2-day notice period.

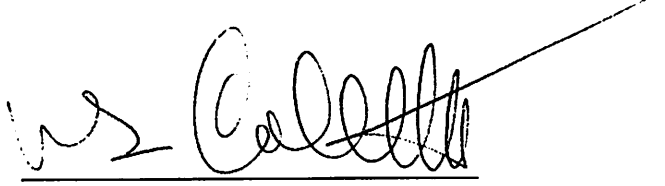
7. Similarly, because providing personalized notice of the Petition and this Order to parties that may have a remote or potential interest in this proceeding would be time-intensive and prohibitively costly to the Lincoln Mutual Liquidation Estate, the Court authorizes, ratifies, and/or approves the Liquidator's service of the Petition, together with the attached Exhibits, the Notice of Hearing, and this Order, by:

(a) U.S. First Class Mail and e-mail to counsel for the MPCGA, the party having the predominant interest in the relief sought by the Petition and granted by this Order; and

(b) Submitting an electronic copy to DIFS for posting on the DIFS website, www.michigan.gov/difs, under the section "Who We Regulate," the subsection "Receiverships," and the sub-subsection "Lincoln Mutual."

The Court finds that service in this manner is reasonably calculated to give interested parties actual notice of these proceedings and is otherwise reasonable under the circumstances.

IT IS SO ORDERED.



Honorable William E. Collette
Circuit Court Judge